Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2011

SEGAL

THE SEGAL COMPANY
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December 7, 2011

Board of Retirement
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012

Re: June 30, 2011 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2011 actuarial valuations for the retirement, health, and family death benefit insurance plans.

As requested by the System, we have attached the following supplemental schedules:

- Exhibit A - Summary of significant results for the retirement and health plans.
- Exhibit B - History of computed contribution rates for the retirement and health plans.
- Exhibit C - Solvency test for the retirement plan.
- Exhibit D - Schedule of retirees and beneficiaries added to and removed from the rolls for the retirement plan.

We look forward to discussing the reports and the enclosed schedules with the Board.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Associate Actuary

DNA/gxk

Exhibit A

Los Angeles City Employees' Retirement System
Summary of Significant Valuation Results

		June 30, 2011	June 30, 2010	Percent Change
I.	**Total Membership**			
	A. Active Members	25,449	26,245	-3.0%
	B. Pensioners and Beneficiaries	17,197	17,264	-0.4%
II.	**Valuation Salary**			
	A. Total Annual Payroll	$1,833,392,381	$1,817,662,284	0.9%
	B. Average Monthly Salary	6,003	5,771	4.0%
III.	**Benefits to Current Retirees and Beneficiaries**(1)			
	A. Total Annual Benefits	$656,547,204	$648,849,828	1.2%
	B. Average Monthly Benefit Amount	3,182	3,132	1.6%
IV.	**Total System Assets**(2)			
	A. Actuarial Value	$11,280,641,736	$11,019,583,518	2.4%
	B. Market Value	10,693,603,976	9,001,364,526	18.8%
V.	**Unfunded Actuarial Accrued Liability (UAAL)**			
	A. Retirement Benefits	$3,700,692,504	$3,040,997,708	21.7%
	B. Health Subsidy Benefits	421,823,917	808,148,415	-47.8%

(1) *Includes July COLA.*

(2) *Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.*

Exhibit A (continued)

Los Angeles City Employees' Retirement System
Summary of Significant Valuation Results

VI. Budget Items	FY 2012-2013** Beginning of Year*	FY 2012-2013** End of Pay Periods	FY 2011-2012 Beginning of Year	FY 2011-2012 End of Pay Periods	Change Beginning of Year	Change End of Pay Periods
Before Reflecting Additional Employee Contributions for Unfrozen Health Subsidies						
A. Retirement Benefits						
1. Normal Cost as a Percent of Pay	10.04%	10.42%	9.37%	9.74%	0.67%	0.68%
2. Amortization of UAAL	13.37%	13.89%	11.02%	11.45%	2.35%	2.44%
3. Total Retirement Contribution	23.41%	24.31%	20.39%	21.19%	3.02%	3.12%
B. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	3.11%	3.23%	4.14%	4.30%	-1.03%	-1.07%
2. Amortization of UAAL	1.22%	1.26%	3.03%	3.15%	-1.81%	-1.89%
3. Total Health Subsidy Contribution	4.33%	4.49%	7.17%	7.45%	-2.84%	-2.96%
C. Total Contribution (A + B)	27.74%	28.80%	27.56%	28.64%	0.18%	0.16%
After Reflecting Additional Employee Contributions for Unfrozen Health Subsidies (Composite Rates)						
D. Retirement Benefits						
1. Normal Cost as a Percent of Pay	7.47%	7.75%	6.95%	7.22%	0.52%	0.53%
2. Amortization of UAAL	13.37%	13.89%	11.02%	11.45%	2.35%	2.44%
3. Total Retirement Contribution	20.84%	21.64%	17.97%	18.67%	2.87%	2.97%
E. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	3.11%	3.23%	4.14%	4.30%	-1.03%	-1.07%
2. Amortization of UAAL	1.22%	1.26%	3.03%	3.15%	-1.81%	-1.89%
3. Total Health Subsidy Contribution	4.33%	4.49%	7.17%	7.45%	-2.84%	-2.96%
F. Total Contribution (D+E)	25.17%	26.13%	25.14%	26.12%	0.03%	0.01%

* *Alternative contribution payment date for FY 2012-2013:*

	Retirement	*Health*	*Total*
July 15, 2012 (before reflecting additional employee contributions)	*23.49%*	*4.34%*	*27.83%*
July 15, 2012 (after reflecting additional employee contributions)	*20.91%*	*4.34%*	*25.25%*

***Before adjustments to phase in over five years the impact of new actuarial assumptions (as a result of the June 30, 2011 triennial Experience Study) on the City's contributions. For Fiscal Year 2012-2013 contribution rates after the phase-in adjustments, refer to Attachment 2 of our letter dated December 8, 2011.*

Exhibit A (continued)

Los Angeles City Employees' Retirement System
Summary of Significant Valuation Results

		June 30, 2011	June 30, 2010	Change
VII.	**Funded Ratio**			
	(Based on Valuation Value of Assets)			
	A. Retirement Benefits	72.4%	75.9%	-3.5%
	B. Health Subsidy Benefits	78.6%	63.8%	14.8%
	C. Total	73.2%	74.0%	-0.8%
	(Based on Market Value of Assets)			
	D. Retirement Benefits	68.6%	62.0%	6.6%
	E. Health Subsidy Benefits	74.5%	52.1%	22.4%
	F. Total	69.4%	60.5%	8.9%

Exhibit B

Los Angeles City Employees' Retirement System
Computed Contribution Rates* – Historical Comparison

Valuation Date	Retirement	Health	Total	Valuation Payroll (thousands)
06/30/1994	12.07%	2.99%	15.06%	$884,951
06/30/1995	7.34%	2.30%	9.64%	911,292
06/30/1996	6.51%	3.18%	9.69%	957,423
06/30/1997	6.57%	1.85%	8.42%	990,616
06/30/1998	6.43%	1.27%	7.70%	1,011,857
06/30/1999	4.93%	0.67%	5.60%	1,068,124
06/30/2000	2.54%	2.17%	4.71%	1,182,203
06/30/2001	3.84%	1.98%	5.82%	1,293,350
06/30/2002	9.22%	1.85%	11.07%	1,334,335
06/30/2003	11.95%	4.02%	15.97%	1,405,058
06/30/2004	14.76%	4.94%	19.70%	1,575,285
06/30/2005	17.51%	7.27%	24.78%	1,589,306
06/30/2006	17.18%	6.49%	23.67%	1,733,340
06/30/2007	15.52%	5.38%	20.90%	1,896,609
06/30/2008	14.65%	5.48%	20.13%	1,977,645
06/30/2009	18.73%	6.62%	25.35%	1,816,171
06/30/2010				
Before Additional Employee Contributions	21.19%	7.45%	28.64%	1,817,662
After Additional Employee Contributions	18.67%	7.45%	26.12%	1,817,662
06/30/2011**				
Before Additional Employee Contributions	24.31%	4.49%	28.80%	1,833,392
After Additional Employee Contributions	21.64%	4.49%	26.13%	1,833,392

* *Contributions are assumed to be made at the end of the pay period.*

** *Before adjustments to phase in over five years the impact of new actuarial assumptions (as a result of the June 30, 2011 triennial Experience Study) on the City's contributions. For Fiscal Year 2012-2013 contribution rates after the phase-in adjustments, refer to Attachment 2 of our letter dated December 8, 2011.*

Exhibit C

Los Angeles City Employees' Retirement System
Solvency Test for Retirement Benefits
For Years Ended June 30

($ In Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
Valuation Date	Member Contributions	Retirees, Beneficiaries, & Inactives	Active Members	Valuation Value of Assets	Member Contributions	Retirees, Beneficiaries, & Inactives	Active Members
06/30/1996	$637,737	$2,357,798	$1,480,489	$4,468,433	100.0%	100.0%	99.5%
06/30/1997	683,048	2,598,432	1,604,857	4,802,509	100.0	100.0	94.8
06/30/1998	733,680	2,772,712	1,806,526	5,362,923	100.0	100.0	100.0
06/30/1999	776,617	2,989,218	1,918,751	5,910,948	100.0	100.0	100.0
06/30/2000	827,729	3,149,392	2,035,810	6,561,365	100.0	100.0	100.0
06/30/2001	889,658	3,444,240	2,134,168	6,988,782	100.0	100.0	100.0
06/30/2002	950,002	3,756,935	2,545,181	7,060,188	100.0	100.0	92.5
06/30/2003	1,005,888	4,021,213	2,632,745	6,999,647	100.0	100.0	74.9
06/30/2004	1,062,002	4,348,252	3,123,610	7,042,108	100.0	100.0	52.2
06/30/2005	1,128,101	4,858,932	3,334,492	7,193,142	100.0	100.0	36.2
06/30/2006	1,210,246	5,149,385	3,511,031	7,674,999	100.0	100.0	37.5
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700*	100.0	100.0	50.0
06/30/2008	1,408,074	5,665,130	4,113,200	9,438,318	100.0	100.0	57.5
06/30/2009	1,282,663	7,356,302	3,403,019	9,577,747	100.0	100.0	27.6
06/30/2010	1,379,098	7,507,945	3,707,982	9,554,027	100.0	100.0	18.0
06/30/2011	1,474,824	7,765,071	4,151,809	9,691,011	100.0	100.0	10.9

** Excludes assets transferred for Port Police.*

Exhibit D

Los Angeles City Employees' Retirement System
Retirees and Beneficiaries Added To and Removed From the Rolls*
For Years Ended June 30

Year Ended	No. of New Retirees/ Beneficiaries	Annual Allowances Added**	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
06/30/2002	844	$23,740,829	620	$11,316,344	13,589	$336,437,038	6.4%	$24,758
06/30/2003	827	24,729,535	611	12,008,132	13,805	359,036,215	6.7%	26,008
06/30/2004	986	53,452,133	654	13,220,316	14,137	399,268,032	11.2%	28,243
06/30/2005	934	43,454,836	749	14,769,736	14,322	427,953,132	7.2%	29,881
06/30/2006	890	42,821,079	642	15,061,287	14,570	455,712,924	6.5%	31,277
06/30/2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6%	32,127
06/30/2008	748	40,680,279	609	14,956,623	14,975	502,357,584	5.4%	33,546
06/30/2009	632	36,887,854	616	17,386,042	14,991	521,859,396	3.9%	34,812
06/30/2010	2,893	144,594,918	620	17,604,486	17,264	648,849,828	24.3%	37,584
06/30/2011	528	24,282,965	595	16,585,589	17,197	656,547,204	1.2%	38,178

* *Does not include Family Death Benefit Insurance Plan members. Table based on valuation data.*

** *Effective 06/30/2004, also includes the COLA granted in July.*

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Retirement Benefits as of June 30, 2011

SEGAL

The Segal Company
100 Montgomery Street, Suite 500 San Francisco, CA 94104
T 415.263.8200 F 415.263.8290 www.segalco.com

December 7, 2011

Board of Administration
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2011. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2012/2013 and analyzes the preceding year's experience.

The census and financial information on which our calculations were based were prepared by LACERS. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27, 35, 44 and all other relevant ASOPs. In our opinion, the combined operation of the assumptions and the methods applied in this valuation fairly represent past and anticipated future experience of the System. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate.

We are Members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:	*Paul Angelo, FSA, MAAA, EA, FCA* *Senior Vice President and Actuary*	*Andy Yeung, ASA, MAAA, EA, FCA* *Vice President and Associate Actuary*

JRC/hy

SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

Purpose

This report has been prepared by The Segal Company to present an actuarial valuation of the Los Angeles City Employees' Retirement System as of June 30, 2011. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive members, and retired members and beneficiaries as of June 30, 2011, provided by LACERS;
- The assets of the Plan as of June 30, 2011, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

Ref: Pg. 32

- The results of this valuation reflect changes in the actuarial assumptions as recommended by Segal and adopted by the Board for the June 30, 2011 valuation. These changes were documented in our Actuarial Experience Study and are also outlined in Section 4, Exhibit VI of this report. These assumption changes resulted in an increase in the employer contribution rate of 1.23% of payroll (payable at the end of each pay period; this is before reflecting the five-year phase-in discussed below).

Ref: Pgs. 21, 7 and 11

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 75.86% to 72.37%. The unfunded actuarial accrued liability increased from $3,041.0 million to $3,700.7 million. A complete reconciliation of the System’s unfunded actuarial accrued liability is provided in Section 3, Exhibit G. Additional information on the actuarial experience is provided in Section 2, Charts 9 and 13.

Ref: Pg. 13

- The aggregate employer rate (payable at the end of each pay period) calculated in this valuation has increased from 21.19% of payroll to 24.31% of payroll. Both of these rates are before adjustments for the additional 2% or 4% employee contributions that have been implemented by the City for some of the bargaining groups and for all non-represented employees. The annual dollar contributions calculated in this valuation increased from about $385.1 million to $445.6

million. The increase was due to: (i) the increase in the amortization amounts due to the assumed 4.25% total payroll growth, (ii) the loss from lower than expected contributions resulting from the one-year delay in implementing the higher contribution rate calculated in the prior valuation, (iii) the lower than expected return on the valuation value of assets (after smoothing), (iv) the increase in the employer normal cost[1] due to payroll and demographic changes, and (v) the changes in the economic and non-economic actuarial assumptions as recommended in the June 30, 2011 Actuarial Experience Study, offset somewhat by (vi) other actuarial gains. A complete reconciliation of the aggregate employer contribution is provided in Section 2, Chart 15.

On October 25, 2011, the Board elected to phase in the impact of new actuarial assumptions (adopted as a result of the June 30, 2011 triennial Experience Study) on the City's retirement and health plan contributions over a five-year period, beginning with the 2012-2013 fiscal year. The recommended (i.e., pre-phase-in) contribution rates for Fiscal Year 2012-2013 are contained in this report. In a separate letter, we provide the "phased-in" contribution rates for Fiscal Year 2012-2013 and an analysis of the financial reporting and future contribution rate impact of the five-year phase-in.

Ref: Pg. 5

- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of June 30, 2011 is $587,037,760[2] for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next several years. This implies that earning the assumed rate of investment return of 7.75% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next several years. Therefore, if the actual market return is equal to the assumed 7.75% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next several years.

  The deferred losses of $587.0 million represent 5% of the market value of assets as of June 30, 2011. Unless offset by future investment gains or other favorable experience, the recognition of the $587.0 million market losses is expected to have a significant impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

  - If the retirement plan component of the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 72.37% to 68.60%.
  - If the retirement plan component of the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate (payable at the end of each pay period) would increase from 24.31% to 25.78% of payroll.

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[1] *There is an increase in the normal cost due to an increase in the average age of the active members from 46.1 calculated in the June 30, 2010 valuation to 47.0 calculated in the June 30, 2011 valuation.*

[2] *For comparison purposes, the total unrecognized investment loss as of June 20, 2010 was $2,018,218,992.*

- The actuarial valuation report as of June 30, 2011 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

- We understand that Ordinance 181746 adopted by the City would freeze the retiree health subsidy amounts for those members (and their qualified survivors) who retire after July 1, 2011 unless those members elect to pay an additional 4% employee contribution rate, beginning July 1, 2011. Subsequently, Ordinance 181892 adopted by the City would not freeze the retiree health subsidy amounts for all non-represented members and for members in one particular bargaining group (and their qualified survivors) who retire after July 1, 2011 because these members will pay an additional 2% employee contribution rate retroactive to July 1, 2011, with that rate increasing to 4% beginning January 1, 2013. As these contributions are refundable to members upon termination from LACERS and for other tax considerations, they are designated by the City as pension plan contributions.

  We further understand that there are ongoing negotiations between the City and some of the bargaining groups to ratify the additional member contributions. As such, we have developed three sets of employer contribution rates as of June 30, 2011, as follows: (1) The first set of employer rates would be applied to the payroll for members who are not required to pay the additional 2% or 4% employee contribution rate. (2) The second set of employer rates would be applied to the payroll for members who are required to pay the additional 2% employee contribution rate now and 4% beginning January 1, 2013. This set of employer contribution rates would include an offset to the employer rate of less than 3% (which is the blended rate of 2% for the first half of FY 2012/2013 and 4% for the second half of FY 2012/2013), since some of the additional contributions paid by the members will be refundable upon termination of employment before retirement and so will be unavailable to pay for retirement and other benefits. (3) The third set of employer rates would be applied to the payroll for members who are required to pay the additional 4% employee contribution rate only. Similarly, this set of employer contribution rates would include an offset to the employer rate of less than 4% to account for refundability of those member contributions.

  The three sets of employer rates are provided in Appendix One. We have also provided composite employee and employer rates as of June 30, 2011 in Appendix One, based on the projected payroll for the members currently in the three separate employee rate groups described above. For informational purposes, we have also provided composite employee and employer rates as of June 30, 2010. The June 30, 2010 composite contribution rates are based on the projected payrolls for employees either paying or not paying the additional 4% contribution rate.

- Based on discussions with LACERS, the employer contribution rates (before adjustments for the additional 2% or 4% employee contribution rate or for the five-year phase in of the impact of new actuarial assumptions) provided in this report have been developed assuming they will be paid by the City on any of the following dates:

  (1) The beginning of the fiscal year, or

  (2) On July 15, 2012, or

  (3) Throughout the year (i.e., the City will pay contributions at the end of every pay period).

Ref: Pg. 22

- Consistent with prior instructions from the Board of Administration, the recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27. We have also continued to include in the calculation of the recommended contribution an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal year 2003/2004 and fiscal year 2004/2005.

  A Net Pension Obligation (NPO) was created in the June 30, 2004 and June 30, 2005 valuations due to: (1) the phase-in of the higher contribution rate required from the 2002 experience study and (2) the GASB requirement that the Unfunded Actuarial Accrued Liability (UAAL) of the Plan be amortized over an equivalent period of not greater than 40 years. Since (1) is already included in the development of the Plan's actual UAAL, the ARC calculation requires only an additional contribution to amortize (2) over a period of 15 years. In the June 30, 2011 valuation, there are 8 years of payments left in the amortization of (2) from the June 30, 2004 valuation and 9 years of payments left in the amortization of (2) from the June 30, 2005 valuation.

Ref: Pg. 31

  Due to the one-year lag in implementing the contribution rates, the amortization of the NPO created in the June 30, 2004 valuation has only begun with the 2005/2006 fiscal year. As shown in this year's valuation, the amortization of the NPO created in the June 30, 2005 valuation has begun with the 2006/2007 fiscal year. Additional details are provided in Section 4, Exhibit V.

- ERIP Ordinance No. 180926 stipulates that the member contribution rate for all employees shall increase to 7% on July 1, 2011 for a period of 15 years, or until the ERIP Cost Obligation is fully paid, whichever comes first. Prior to the ERIP, members hired on or after January 1, 1983 contributed 6% of pay, while the member contribution rates for employees hired before January 1, 1983 were based on the members' ages at entry, ranging from 8.22% at entry age 16 to 13.33% for entry ages 59 and over. We understand that members hired before January 1, 1983 (Defrayal Group) had a portion of their member contribution rates picked up by the employer, and that the net member rate after the pick-up was below 6% prior to the effective date of the ERIP. The net member contribution rate for the Defrayal Group was to increase to 6% as of the ERIP effective date, and then to 7% effective July 1, 2011.

Summary of Key Valuation Results

	2011	2010
Contributions calculated as of June 30:[1]		
Recommended as a percentage of pay (there is a 12-month delay until the rate is effective)		
At the beginning of the year	23.41%	20.39%
On July 15	23.49%	20.46%
At the end of each pay period	24.31%	21.19%
Funding elements for plan year ended June 30:		
Normal cost	$307,625,346	$292,655,906
Market value of assets[2]	10,693,603,976	9,001,364,526
Actuarial value of assets[2]	11,280,641,736	11,019,583,518
Valuation value of retirement assets	9,691,011,496	9,554,027,411
Actuarial accrued liability	13,391,704,000	12,595,025,119
Unfunded/(overfunded) actuarial accrued liability	3,700,692,504	3,040,997,708
Funded ratio	72.37%	75.86%
GASB 25/27 for fiscal year ended June 30:		
Annual required contributions	$303,560,953	$258,642,795
Actual contributions	303,560,953	258,642,795
Percentage contributed	100.00%	100.00%
Demographic data for plan year ended June 30:		
Number of retired members and beneficiaries	17,197	17,264
Number of inactive members	5,623	5,344
Number of active members	25,449	26,245
Projected total payroll[3]	$1,833,392,381	$1,817,662,284
Projected average payroll[3]	$72,042	$69,257

(1) Both the June 30, 2011 and the June 30, 2010 contribution rates are before adjustments for the additional 2% or 4% employee contributions that have been implemented by the City for some of the bargaining groups and for all non-represented employees. The contribution rates for the June 30, 2011 valuation are also before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 triennial Experience Study.

(2) Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

(3) Reflects annualized salaries for part-time members.

Actuarial Certification

December 7, 2011

This is to certify that The Segal Company has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System retirement program as of June 30, 2011, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2010. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant and financial data provided by LACERS.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the Retirement System's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Projected Unit Credit cost method. In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27.

The actuarial computations made are for funding plan benefits and for satisfying the financial accounting requirements under GASB Statements No. 25 and 27. Accordingly, additional determinations will be needed for other purposes, such as judging benefit security at termination.

In addition to all schedules that are shown in the actuarial section of the CAFR, a listing of supporting schedules included in the statistical and financial sections of the System's CAFR prepared by Segal is provided below:

1) Schedule of funding progress
2) Schedule of employer contributions
3) Supplementary Information Required by GASB (Exhibit IV)

To the best of our knowledge, this report is complete and accurate and in our opinion presents the plan's current funding information. The undersigned is a Member of the American Academy of Actuaries and is qualified to render the actuarial opinion contained herein.

Andy Yeung

Andy Yeung, ASA, MAAA, EA, FCA
Vice President and Associate Actuary

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive non-vested members (entitled to a refund of member contributions), inactive vested members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past ten valuations can be seen in this chart.

CHART 1

Member Population: 2002 – 2011

Year Ended June 30	Active Members	Inactive Members*	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2002	25,930	2,327	13,589	0.61
2003	26,358	2,593	13,805	0.62
2004	27,092	2,232	14,137	0.60
2005	27,333	2,426	14,322	0.61
2006	28,839	2,903	14,570	0.61
2007	30,175	3,303	14,836	0.60
2008	30,236	4,273	14,975	0.64
2009	30,065	4,554	14,991	0.65
2010	26,245	5,344	17,264	0.86**
2011	25,449	5,623	17,197	0.90

** Includes terminated members due a refund of employee contributions.*

***Reflects 2009 Early Retirement Incentive Program.*

Active Members

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 25,449 active members with an average age of 47.0, average years of service of 13.0 years and average payroll of $72,042.

The 26,245 active members in the prior valuation had an average age of 46.1, average service of 12.1 years and average payroll of $69,257.

Inactive Members

In this year's valuation, there were 5,623 members who were either non-vested and entitled to a refund of member contributions or vested with a right to a deferred or immediate benefit.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2011

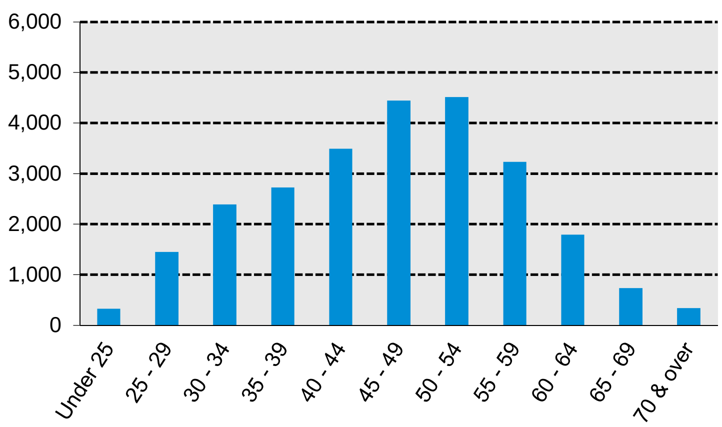
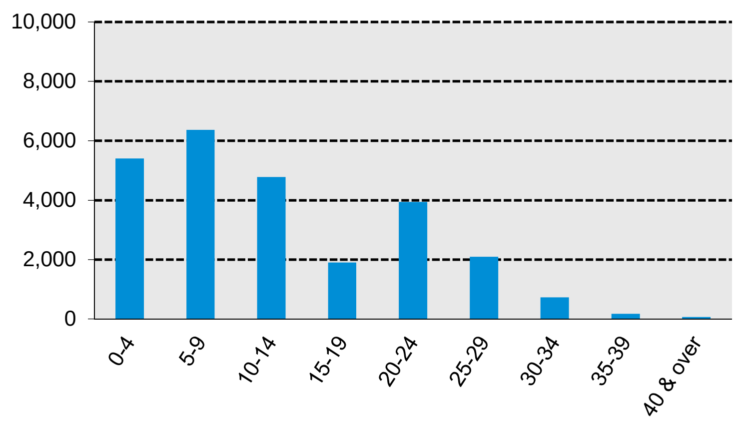


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2011



Retired Members and Beneficiaries

As of June 30, 2011, 13,550 retired members and 3,647 beneficiaries were receiving total monthly benefits of $54,705,331. For comparison, in the previous valuation, there were 13,645 retired members and 3,619 beneficiaries receiving monthly benefits of $54,076,987.

Please note that the monthly benefits provided have been adjusted for the COLA granted effective for the month of July.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4

Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2011

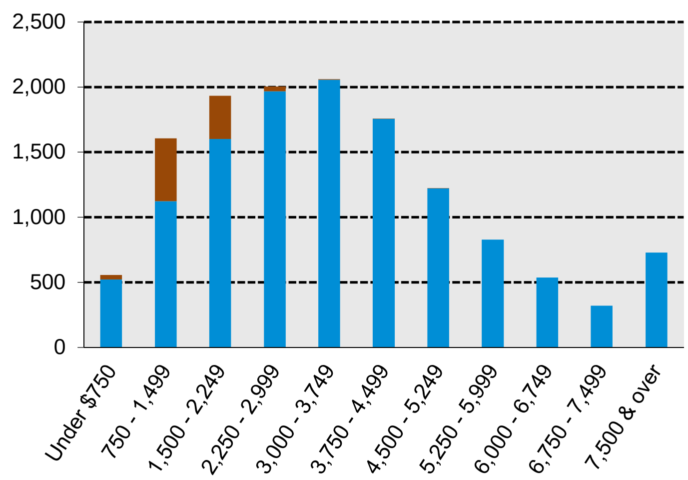
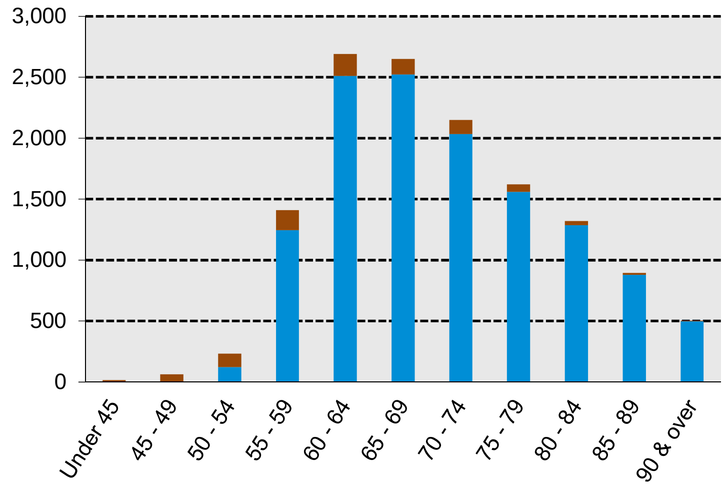


CHART 5

Distribution of Retired Members by Type and by Age as of June 30, 2011



Disability
Regular

B. FINANCIAL INFORMATION

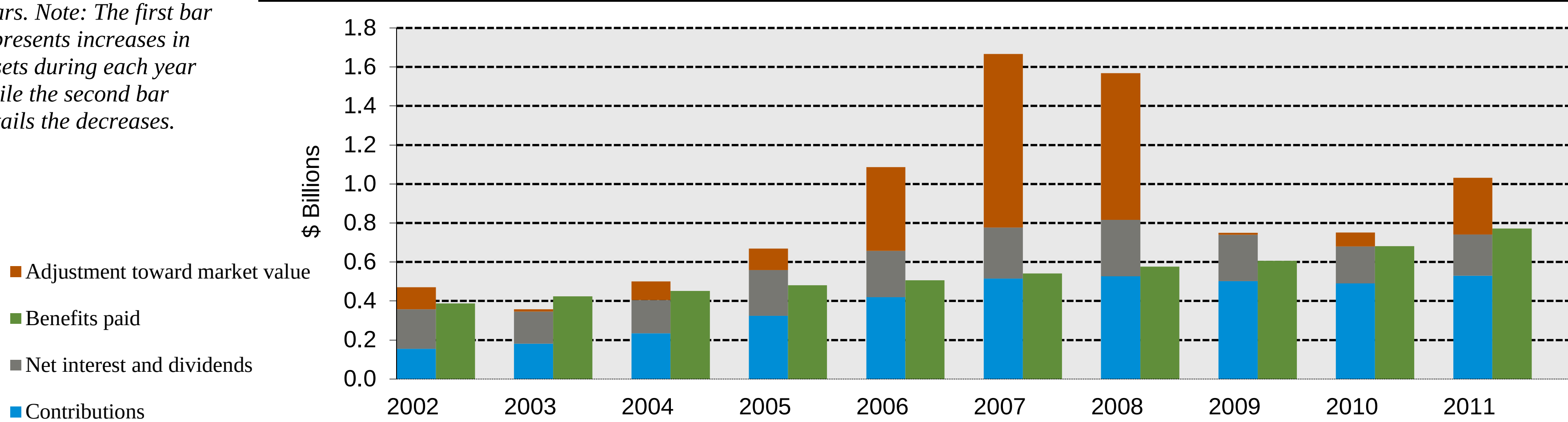
Retirement plan funding anticipates that, over the long term, both net contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2002 – 2011



It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Administration has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets as of June 30, 2011

		Original Amount	Percent Not Recognized	Amount Not Recognized	
1.	Market value of assets				$10,693,603,976
2.	Calculation of unrecognized return*				
	(a) Year ended June 30, 2011	$1,208,621,516	85.71%	$1,035,961,299	
	(b) Year ended June 30, 2010	392,956,483	71.43%	280,683,202	
	(c) Year ended June 30, 2009	-2,964,832,484	53.33%	-1,581,243,991	
	(d) Year ended June 30, 2008	-1,549,293,380	36.00%	-557,745,617	
	(e) Year ended June 30, 2007	1,054,377,186	20.00%	210,875,437	
	(f) Year ended June 30, 2006	366,478,652	6.67%	24,431,910	
	(g) Total unrecognized return				-$587,037,760
3.	Preliminary actuarial value: (1) - (2g)				$11,280,641,736
4.	Adjustment to be within 40% corridor				0
5.	Final actuarial value of assets: (3) + (4)				$11,280,641,736
6.	Actuarial value as a percentage of market value: (5) ÷ (1)				105.49%
7.	Market value of retirement assets				$9,186,697,130
8.	Valuation value of retirement assets (5) ÷ (1) x (7)				$9,691,011,496
9.	Deferred return recognized in each of the next 6 years:				
	(a) Amount recognized on 6/30/2012				-$222,559,718
	(b) Amount recognized on 6/30/2013				-246,991,628
	(c) Amount recognized on 6/30/2014				-352,429,347
	(d) Amount recognized on 6/30/2015				-166,514,141
	(e) Amount recognized on 6/30/2016				228,796,857
	(f) Amount recognized on 6/30/2017				172,660,217
	(g) Subtotal (may not total exactly due to rounding)				-$587,037,760

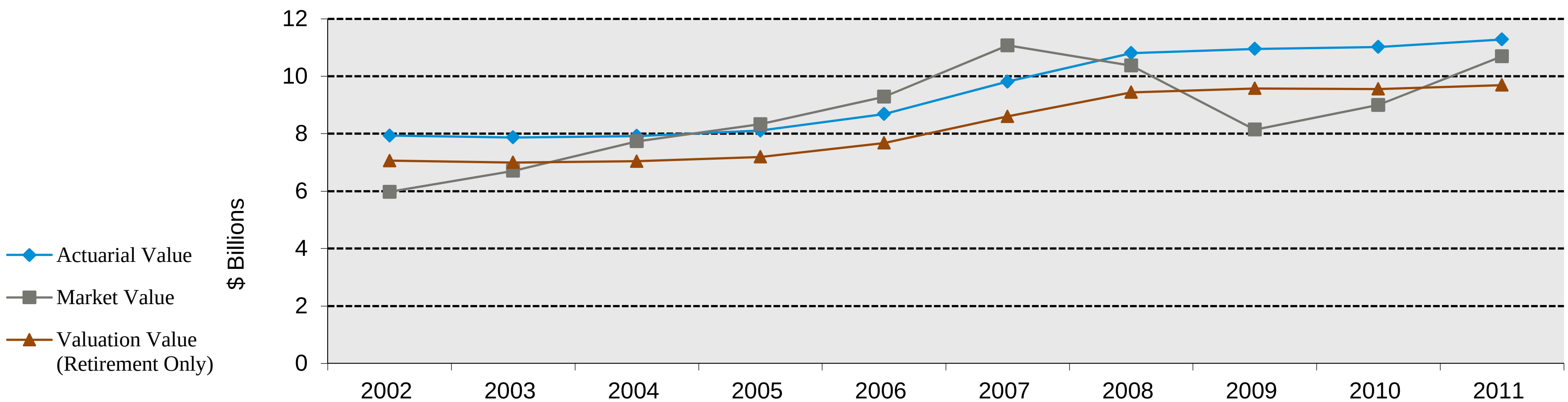
**Total return minus expected return on a market value basis*

The actuarial value, market value and valuation value of assets are representations of LACERS' financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The portion of the total actuarial value of assets allocated for retirement benefits, based on a prorated share of market value, is shown as the valuation value of assets. The valuation value of assets is significant because LACERS' liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the assets over the past ten years.

CHART 8

Valuation Value (Retirement Only), Actuarial Value, and Market Value of Assets as of June 30, 2002 – 2011



C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total loss of $256,988,806 was due to an investment loss of $377,520,732 (after smoothing), offset by a gain of $120,531,926 from all other sources. The net experience variation from all other sources was 0.93% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9

Actuarial Experience for Year Ended June 30, 2011

1.	Net loss from investments*	-$377,520,732
2.	Net gain from other experience**	199,054,100
3.	Net loss from one year delay in implementing the higher contribution rate calculated in the June 30, 2010 valuation until fiscal year 2011/2012	-78,522,174
4.	Net experience loss: (1) + (2) + (3)	-$256,988,806

* *Details in Chart 10.*

** *Details in Chart 13. The net gain is attributed to actual liability experience from July 1, 2010 through June 30, 2011 compared to the projected experience predicted by the actuarial assumptions as of June 30, 2010.*

Investment Rate of Return
A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on LACERS' investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets is 8.00% (for the June 30, 2010 valuation). The actual rate of return on the valuation value of assets basis for the 2011 plan year was 4.05%.

Since the actual return for the year was less than the assumed return, LACERS experienced an actuarial loss during the year ended June 30, 2011 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10

Actuarial Value Investment Experience for Year Ended June 30, 2011

	Actuarial Value (Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)	Valuation Value (Includes assets for Retirement Only)
1. Actual return	$502,949,330	$387,895,570
2. Average value of assets	11,087,082,059	9,567,703,772
3. Actual rate of return: (1) ÷ (2)	4.54%	4.05%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	$886,966,565	765,416,302
6. Actuarial gain/(loss): (1) – (5)	-$384,017,235	-$377,520,732

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the Retirement, Health, Family Death and Larger Annuity Benefits for the last ten years, including the five-year average.

Based upon this experience and future expectations, we have decreased the assumed long-term rate of return from 8.00% to 7.75% for the June 30, 2011 valuation.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2002 – 2011

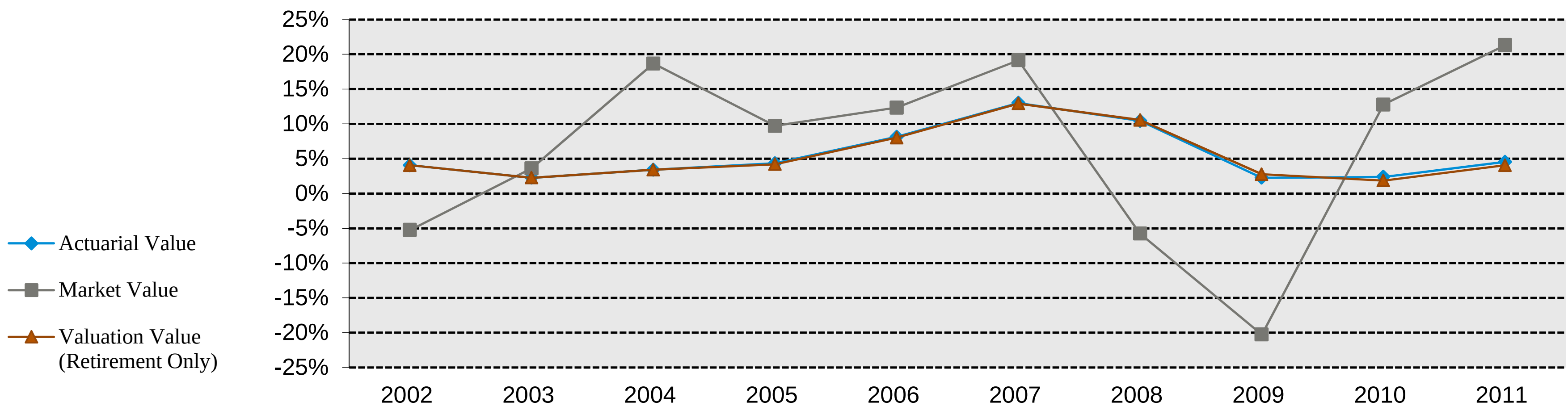
	Net Interest and Dividend Income		Recognition of Capital Appreciation		Actuarial Value Investment Return		Market Value Investment Return	
Year Ended June 30	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
2002	$201,393,778	2.58%	$112,813,481	1.44%	$314,207,259	4.06%	$201,393,778	-5.25%
2003	164,915,100	2.11%	11,691,257	0.15%	176,606,357	2.26%	238,161,856	3.61%
2004	171,166,339	2.19%	96,283,183	1.23%	267,449,522	3.42%	1,243,644,727	18.84%
2005	235,062,628	2.96%	109,661,360	1.38%	344,723,988	4.34%	753,805,403	9.71%
2006	238,266,254	2.90%	430,034,467	5.24%	668,300,721	8.14%	1,041,664,291	12.34%
2007	261,677,229	2.95%	890,907,654	10.04%	1,152,584,883	12.99%	1,811,903,293	19.13%
2008	290,092,182	2.91%	752,500,487	7.53%	1,042,592,669	10.44%	-649,747,001	-5.78%
2009	237,249,377	2.17%	9,861,278	0.09%	247,110,655	2.26%	-2,125,637,471	-20.26%
2010	190,583,695	1.73%	71,009,369	0.64%	261,593,064	2.37%	1,049,769,484	12.79%
2011	211,685,408	1.91%	291,263,922	2.63%	502,949,330	4.54%	1,934,130,562	21.33%
Total	$2,202,091,990		$2,776,026,458		$4,978,118,448		$5,499,088,922	
					Five-year average return	6.43%		4.14%
					Ten-year average return	5.42%		5.82%

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2002 - 2011 .

CHART 12

Valuation Value (Retirement Only), Actuarial Value, and Market Value Rates of Return for Years Ended June 30, 2002 - 2011



Other Experience
There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2011 amounted to $199,054,100 which is 1.53% of the actuarial accrued liability.

A brief summary of the demographic gain experience of LACERS for the year ended June 30, 2011 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Due to Changes in Demographics for Year Ended June 30, 2011

1.	Gain due to lower than expected salary increases for continuing actives	$61,440,807
2.	Gain due to lower than expected COLA granted to retirees and beneficiaries	121,761,848
3.	Miscellaneous gain	15,851,445
4.	Net gain	$199,054,100

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the funding rate of 24.31% of payroll. We have continued to follow the method used in the June 30, 2005 valuation to adjust the contribution requirement if the GASB ARC minimum contribution is greater than the amount prescribed below. For 2011, the beginning of year minimum GASB ARC is $375.3 million, so no additional adjustment has been made to the recommended contributions.

As shown in item 1 below, the total normal cost rate increased from 16.10% as of June 30, 2010 to 16.78% as of June 30, 2011. This is mainly due to a one year increase in the average age of the active members and the change in the discount rate from 8.00% to 7.75%.

The chart compares this valuation's recommended contribution with the prior valuation.

CHART 14

Recommended Contribution(1)

	Year Ended June 30			
	2011		2010	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	$307,625,346	16.78%	$292,655,906	16.10%
2. Expected employee contributions(2)	-123,549,908	-6.74%	-122,342,654	-6.73%
3. Employer normal cost: (1) + (2)	$184,075,438	10.04%	$170,313,252	9.37%
4. Actuarial accrued liability	13,391,704,000		12,595,025,119	
5. Valuation value of assets	-9,691,011,496		-9,554,027,411	
6. Unfunded actuarial accrued liability	$3,700,692,504		$3,040,997,708	
7. Amortization of unfunded accrued liability	245,213,183	13.37%	200,320,951	11.02%
8. Total recommended contribution, beginning of year: (3) + (7)	$429,288,621	23.41%	$370,634,203	20.39%
9. Total recommended contribution, July 15	$430,607,504	23.49%	$371,808,294	20.46%
10. Total recommended contribution, end of pay periods	$445,613,168	24.31%	$385,079,981	21.19%
11. Projected payroll	$1,833,392,381		$1,817,662,284	

(1) Both the June 30, 2011 and the June 30, 2010 contribution rates are before adjustments for the additional 2% or 4% employee contributions that have been implemented by the City for some of the bargaining groups and for all non-represented employees. The contribution rates for the June 30, 2011 valuation are also before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 triennial Experience Study.

(2) Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period is actually 7.00% for the June 30, 2010 and June 30, 2011 valuations.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

If paid by the City at the beginning of the year, the calculated normal cost (including expenses) is 10.04% of payroll. The remaining 13.37% of payroll will amortize the unfunded actuarial accrued liability over an equivalent single amortization period of about 21 years.

The contribution rates as of June 30, 2011 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

CHART 15

Reconciliation of Recommended Contribution* from June 30, 2010 to June 30, 2011

Recommended Contribution as of June 30, 2010	21.19%
Effect of increase in amortization component due to less than expected payroll	0.38%
Effect of contributions less than recommended contribution	0.38%
Effect of investment loss	1.81%
Effect of increase in employer normal cost due to payroll and demographic changes	0.28%
Effect of other gains on accrued liability	-0.96%
Effect of changes in actuarial assumptions**	1.23%
Total change	3.12%
Recommended Contribution as of June 30, 2011	24.31%

* *Based on contributions at the end of each pay period and before adjustments for the additional 2% or 4% employee contributions that have been implemented by the City for some of the bargaining groups and for all non-represented employees.*

***Before adjustments to phase in over five years the impact of new actuarial assumptions as a result of the June 30, 2011 triennial Experience Study.*

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes for governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of GASB reporting requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB standards. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although the GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 17 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16

Required Versus Actual Contributions

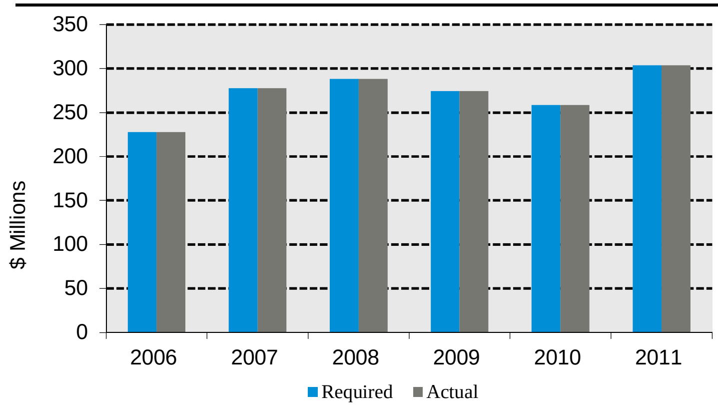


CHART 17

Funded Ratio

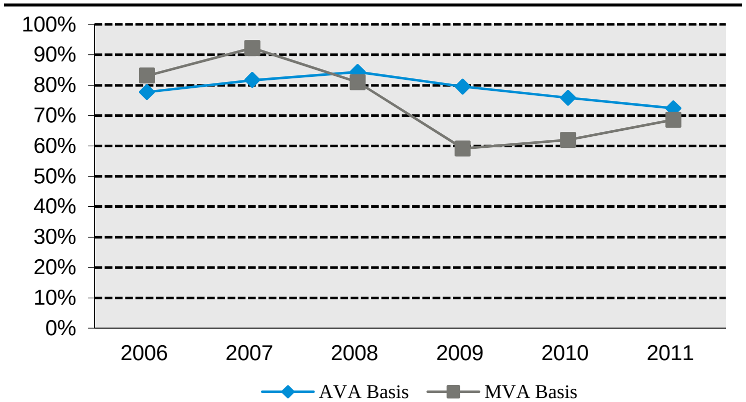


EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30 2011	Year Ended June 30 2010	Change From Prior Year
Active members in valuation:			
Number	25,449	26,245	-3.0%
Average age	47.0	46.1	N/A
Average service	13.0	12.1	N/A
Projected total payroll*	$1,833,392,381	$1,817,662,284	0.9%
Projected average payroll*	$72,042	$69,257	4.0%
Account balances	$1,376,457,926	$1,286,084,101	7.0%
Total active vested members	20,113	18,822	6.9%
Inactive members:			
Number	5,623	5,344	5.2%
Average age	43.2	42.9	N/A
Average contribution balance for those with under 5 years of service	$4,486	$4,214	6.5%
Average monthly benefit at age 60 for those with 5 or more years of service**	$1,381	$1,360	1.5%
Retired members:			
Number in pay status	12,658	12,740	-0.6%
Average service at retirement	27.0	27.1	N/A
Average age at retirement	60.2	60.2	N/A
Average age	70.9	70.4	N/A
Average monthly benefit (includes July COLA)	$3,697	$3,642	1.5%
Disabled members:			
Number in pay status	892	905	-1.4%
Average service at retirement	12.0	12.1	N/A
Average age at retirement	45.4	45.3	N/A
Average age	62.9	62.4	N/A
Average monthly benefit (includes July COLA)	$1,486	$1,455	2.1%
Beneficiaries:			
Number in pay status	3,647	3,619	0.8%
Average age	76.0	75.9	N/A
Average monthly benefit (includes July COLA)	$1,807	$1,756	2.9%

* *Reflects annualized salaries for part-time members.*

** *Based on salary at termination from LACERS.*

EXHIBIT B

Members in Active Service as of June 30, 2011
By Age, Years of Service, and Average Payroll

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	324	318	6	- -	- -	- -	- -	- -	- -	- -
	$38,467	$38,435	$40,135	- -	- -	- -	- -	- -	- -	- -
25 - 29	1,448	1,045	3,94	9	- -	- -	- -	- -	- -	- -
	54,153	53,363	56,433	$46,028	- -	- -	- -	- -	- -	- -
30 - 34	2,394	955	1,128	309	2	- -	- -	- -	- -	- -
	64,766	61,555	66,069	69,963	$60,171	- -	- -	- -	- -	- -
35 - 39	2,726	701	1,063	839	114	9	- -	- -	- -	- -
	69,247	61,873	69,068	74,545	76,745	$76,005	- -	- -	- -	- -
40 - 44	3,494	645	968	958	452	448	23	- -	- -	- -
	72,944	61,301	66,242	76,418	86,827	82,668	$74,640	- -	- -	- -
45 - 49	4,446	574	832	870	456	1,193	474	47	- -	- -
	76,363	61,051	66,596	75,435	84,118	86,059	81,903	$76,297	- -	- -
50 - 54	4,514	488	717	693	376	1,086	828	323	3	- -
	77,619	59,683	63,580	72,733	82,309	84,789	90,535	83,711	$75,444	- -
55 - 59	3,232	337	652	520	276	691	463	213	76	4
	77,749	65,212	64,500	74,132	83,707	83,539	89,976	90,292	87,785	$78,560
60 - 64	1,795	202	360	366	148	324	194	113	67	21
	73,348	56,096	56,743	70,796	76,690	81,088	86,602	90,621	104,718	109,982
65 - 69	735	74	166	163	51	129	81	24	22	25
	70,036	49,042	58,120	69,191	74,038	75,466	80,913	92,579	102,867	94,840
70 & over	341	65	87	47	26	56	31	14	3	12
	57,255	36,457	44,346	59,832	67,446	69,741	73,093	85,140	76,661	94,749
Total	25,449	5,404	6,373	4,774	1,901	3,936	2,094	734	171	62
	$72,042	$57,949	$64,573	$73,810	$82,801	$83,868	$87,288	$86,527	$95,948	$98,901

EXHIBIT C
Reconciliation of Member Data

	Active Members	Inactive Members	Disableds	Retired Members	Beneficiaries	Total
Number as of June 30, 2010	26,245	5,344	905	12,740	3,619	48,853
New members	357	N/A	N/A	N/A	N/A	357
Terminations – with vested rights	-776	776	0	0	0	0
Retirements	-199	-88	N/A	287	N/A	0
New disabilities	-3	-18	21	N/A	N/A	0
Died with beneficiary	N/A	N/A	N/A	N/A	220	220
Deaths or benefits expired	-45	-12	-34	-369	-192	-652
Refund of members contributions	-344	-222	0	0	0	-566
Rehired	214	-214	0	0	N/A	0
Data adjustments	0	57*	0	0	0	57
Number as of June 30, 2011	25,449	5,623	892	12,658	3,647	48,269

** Includes members who were both hired and terminated during the year.*

Note: For the change in the annual benefits from the retirees and beneficiaries added to and removed from the rolls, refer to Exhibit D of the supplemental schedules that accompany this report.

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis for Retirement, Health, Family Death and Larger Annuity Benefits

	June 30, 2011		June 30, 2010	
Contribution income:				
Employer contributions	$414,133,032		$362,751,146	
Employee contributions	114,731,434		126,961,295	
Net contribution income		$528,864,466		$489,712,441
Investment income:				
Interest, dividends and other income	$253,769,776		$231,005,078	
Recognition of capital appreciation	291,263,922		71,009,369	
Less investment and administrative fees	-42,084,368		-40,421,383	
Net investment income		$502,949,330		$261,593,064
Total income available for benefits		$1,031,813,796		$751,305,505
Less benefit payments:				
Payment of benefits	-$752,540,330		-$653,134,296	
Refunds of contributions	-18,215,248		-27,971,893	
Net benefit payments		-$770,755,578		-$681,106,189
Change in reserve for future benefits		$261,058,218		$70,199,316

Note: Results may be slightly off due to rounding.

EXHIBIT E

Summary Statement of Assets for Retirement, Health, Family Death, and Larger Annuity Benefits

	June 30, 2011		June 30, 2010	
Cash equivalents		$609,896,414		$372,183,032
Accounts receivable:				
Investment income	$34,381,558		$33,361,902	
Proceeds from sales	32,911,670		37,691,856	
Other	7,059,792		4,134,392	
Total accounts receivable		$74,353,020		$75,188,150
Investments:				
Fixed Income	$2,331,369,654		$2,275,248,628	
Equities	6,225,586,700		4,958,267,752	
Real Estate and Alternative Investment	1,659,534,331		1,411,152,837	
Other	1,377,311,588		1,095,808,401	
Total investments at market value		$11,593,802,273		$9,740,477,618
Total assets		$12,278,051,707		$10,187,848,800
Less accounts payable:				
Accounts payable and accrued expenses	-$132,446,670		-$29,685,696	
Derivative instrument	0		-24,900	
Purchases of investments	-222,421,912		-169,137,033	
Security lending collateral	-1,229,579,148		-987,636,645	
Total accounts payable		-$1,584,447,730		-$1,186,484,274
Net assets at market value		$10,693,603,976		$9,001,364,526
Net assets at actuarial value		$11,280,641,736		$11,019,583,518
Net assets at valuation value (retirement benefits)		$9,691,011,496		$9,554,027,411

Note: Results may be slightly off due to rounding.

EXHIBIT F

Development of the Fund Through June 30, 2011 for Retirement, Health, Family Death and Larger Annuity Benefits

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return*	Benefit Payments	Actuarial Value of Assets at End of Year
2006	$320,399,222	$98,262,366	$668,300,721	$506,604,304	$8,686,104,097
2007	408,392,318	106,233,984	1,152,584,883	540,388,726	9,812,926,556
2008	411,658,277	114,678,456	1,042,592,669***	576,014,324**	10,805,841,634
2009	383,637,842	118,592,071	247,110,655	605,798,000	10,949,384,202
2010	362,751,146	126,961,295	261,593,064	681,106,189	11,019,583,518
2011	414,133,032	114,731,434	502,949,330	770,755,578	11,280,641,736

* *Net of investment fees and administrative expenses.*

** *Includes transfer of $6,220,076 to Fire and Police pension.*

*** *Includes an $11,000,000 return of excess reserve from PPO carrier.*

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2011

1.	Unfunded actuarial accrued liability at beginning of year	$3,040,997,708
2.	Normal cost at beginning of year	292,655,906
3.	Total contributions	-421,101,746
4.	Interest	238,717,651
5.	Expected unfunded actuarial accrued liability	$3,151,269,519
6.	Changes due to experience loss*	178,466,632
7.	Changes due to new actuarial assumptions	370,956,353
8.	Unfunded actuarial accrued liability at end of year	$3,700,692,504

* *Excludes $78,522,174 loss from contributions less than anticipated due to one-year delay in implementing the higher contribution rate calculated in the June 30, 2010 valuation. That loss is already included in the development of item 5.*

The breakdown of the experience loss is as follows:

Investment loss	*$377,520,732*
(Gain) due to lower than expected salary increases for continuing actives	*(61,440,807)*
(Gain) due to lower than expected COLA granted to retirees and beneficiaries	*(121,761,848)*
Miscellaneous (gain)	*(15,851,445)*
Total loss	*$178,466,632*

EXHIBIT H

Table of Amortization Bases

Type	Date Established	Initial Years	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment*
Contribution phase-in loss	06/30/2004	15	$29,485,103	$23,486,055	8	$3,286,033
Contribution phase-in loss	06/30/2005	15	12,401,167	10,496,636	9	1,326,157
Combined bases	06/30/2005	30	1,715,553,201	1,917,315,116	24	113,793,930
Change in assumptions	06/30/2005	30	371,312,873	414,982,050	24	24,629,461
Experience loss	06/30/2006	15	24,171,861	21,475,043	10	2,480,378
Experience gain	06/30/2007	15	-309,656,196	-285,908,043	11	-30,491,200
Experience gain	06/30/2008	15	-247,657,800	-235,704,673	12	-23,401,604
Change in assumptions	06/30/2008	30	25,605,618	27,291,477	27	1,502,547
Experience loss	06/30/2009	15	367,419,768	357,481,888	13	33,269,638
Plan amendment (2009 ERIP)	06/30/2009	15	300,225,354	292,104,931	13	27,185,224
Experience loss	06/30/2010	15	535,695,296	529,726,866	14	46,483,727
Experience loss	06/30/2011	15	256,988,805	256,988,805	15	21,369,801
Change in assumptions	06/30/2011	30	370,956,353	370,956,353	30	19,166,946
Subtotal before GASB amount				$3,700,692,504		$240,601,038
40-year minimum GASB 25/27	06/30/2004	15	29,189,615	23,250,686	8	3,253,102
40-year minimum GASB 25/27	06/30/2005	15	12,708,684	10,756,925	9	1,359,043
Total				$3,734,700,115		$245,213,183

* *Beginning of year payments, based on level percentage of payroll.*

EXHIBIT I
Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $195,000 for 2011 and $200,000 for 2012. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age; and

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return:	The rate of earnings of the Plan from its investments, including interest, dividends and market gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

EXHIBIT I
Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1.	Retired members as of the valuation date (including 3,647 beneficiaries in pay status)		17,197
2.	Inactive members during year ended June 30, 2011 (including 4,058 members with under 5 years of service eligible for a refund of contributions)		5,623
3.	Members active during the year ended June 30, 2011		25,449
	Fully vested	20,113	
	Not vested	5,336	

The actuarial factors as of the valuation date are as follows:

	Assets		
1.	Valuation value of assets ($10,693,603,976 at market value* and $11,280,641,736 at actuarial value* as reported by LACERS)		$9,691,011,496
2.	Present value of future normal costs		
	Employee**	$1,110,872,591	
	Employer**	2,241,458,519	
	Total		3,352,331,110
3.	Unfunded actuarial accrued liability		3,700,692,504
4.	Present value of current and future assets		$16,744,035,110
	Liabilities		
5.	Present value of future benefits		
	Retired members and beneficiaries	$7,599,101,139	
	Inactive members	264,335,832	
	Active members	8,880,598,139	
	Total		$16,744,035,110

* *Market value and actuarial value of assets include assets for Retirement, Health, Family Death, and Larger Annuity Benefits.*

** *Before adjustments for the additional 2% or 4% employee contributions that have been implemented by the City for some of the bargaining groups and for all non-represented employees.*

EXHIBIT I (continued)

Summary of Actuarial Valuation Results*

The determination of the recommended contribution is as follows:

1.	Total normal cost	$307,625,346
2.	Expected employee contributions**	-123,549,908
3.	Employer normal cost: (1) + (2)	$184,075,438
4.	Payment on projected unfunded actuarial accrued liability	245,213,183
5.	Total recommended contribution: (3) + (4), payable beginning of year	$429,288,621
6.	Total recommended contribution: adjusted for July 15 payment	$430,607,504
7.	Total recommended contribution: adjusted for biweekly payment	$445,613,168
8.	Projected payroll	$1,833,392,381
9.	Item 5 as a percentage of projected payroll: (5) ÷ (8)	23.41%
10.	Item 6 as a percentage of projected payroll: (6) ÷ (8)	23.49%
11.	Item 7 as a percentage of projected payroll: (7) ÷ (8)	24.31%

* *The June 30, 2011 contribution rates are before adjustments for the additional 2% or 4% employee contributions that have been implemented by the City for some of the bargaining groups and for all non-represented employees. The contribution rates for the June 30, 2011 valuation are also before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 triennial Experience Study.*

*** Discounted to beginning of year.*

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2006	$227,740,600	$227,740,600	100.00%
2007	277,516,400	277,516,400	100.00%
2008	288,119,041	288,119,041	100.00%
2009	274,554,786	274,554,786	100.00%
2010	258,642,795	258,642,795	100.00%
2011	303,560,953	303,560,953	100.00%

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2006	$7,674,999,374	$9,870,662,387	$2,195,663,013	77.76%	$1,733,339,536	126.67%
06/30/2007	8,599,699,772*	10,526,874,184	1,927,174,412	81.69%	1,896,609,013	101.61%
06/30/2008	9,438,318,300	11,186,403,741	1,748,085,441	84.37%	1,977,644,640	88.39%
06/30/2009	9,577,747,421	12,041,983,936	2,464,236,515	79.54%	1,816,171,212	135.68%
06/30/2010	9,554,027,411	12,595,025,119	3,040,997,708	75.86%	1,817,662,284	167.30%
06/30/2011	9,691,011,496	13,391,704,000	3,700,692,504	72.37%	1,833,392,381	201.85%

** Valuation value of assets excludes $5,269,481 of discounted Harbor Port Police assets transferred in October 2007.*

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	June 30, 2011	
Actuarial cost method	Projected Unit Credit Cost Method – closed group.	
Amortization method	Level percent of payroll – assuming a 4.25% increase in total covered payroll.	
Remaining amortization period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 30 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over 5 years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2005, except those arising from the phase-in of contribution rates for the May 30, 2002 experience study, were combined and amortized over 30 years.	
Asset valuation method	Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.	
Actuarial assumptions:		
Investment rate of return	7.75%	
Inflation rate	3.50%	
Real across-the-board salary increase	0.75%	
Projected salary increases	Ranges from 11.25% to 6.50% for members with less than 5 years of service. Ranges from 6.50% to 4.65% for members with 5 or more years of service.	
Cost of living adjustments	3.00%	
Plan membership:		
Retired members and beneficiaries receiving benefits	17,197	
Inactive members*	5,623	
Active members	25,449	
Total	48,269	

* *Either non-vested and entitled to a refund of member contributions or vested with a right to a deferred or immediate benefit.*

EXHIBIT V

Development of the Net Pension Obligation and the Annual Pension Cost Pursuant to GASB 27

Plan Year Ended June 30	Employer Annual Required Contribution (a)	Employer Amount Contributed (b)	Interest on NPO (h) x .08* (c)	ARC Adjustment with Interest (h) / (e) x 1.08* (d)	Amortization Factor (e)	Pension Cost (a) + (c) – (d) (f)	Change in NPO (f) – (b) (g)	NPO Balance Prior NPO + (g) (h)
2006	$227,740,600	$227,740,600	$4,693,977	$5,429,482	11.6712**	$227,005,095	$(735,505)	$83,049,064
2007	277,516,400	277,516,400	6,643,929	7,970,213	11.3532***	276,190,116	(1,326,284)	81,722,780
2008	288,119,041	288,119,041	6,537,822	8,289,017	10.8207	286,367,846	(1,751,195)	79,971,585
2009	274,554,786	274,554,786	6,397,727	8,620,578	10.2384	272,331,935	(2,222,851)	77,748,734
2010****	258,642,795	258,642,795	6,219,899	8,863,501	9.7444	255,999,193	(2,643,602)	75,105,132
2011	303,560,953	303,560,953	6,008,410	9,240,200	9.0873	300,329,163	(3,231,790)	71,873,342

* *Based on interest rate adopted by the Board before the change to 7.75% for the 2012/2013 Fiscal Year.*

** *Due to the one-year lag in implementing new contribution rates, only the portion of the NPO established in the June 30, 2004 valuation is being amortized during 2005/2006.*

*** *Similarly, the portion of the NPO established in the June 30, 2005 valuation is being amortized during 2006/2007 and the weighted average factor for the June 30, 2004 and June 30, 2005 layers is shown.*

**** *The calculation of the NPO has been adjusted to reflect the 4.25% total payroll growth assumption, which was adopted by the Board for fiscal year 2009/2010 funding requirements.*

EXHIBIT VI

Actuarial Assumptions and Actuarial Cost Method

Post-Retirement Mortality Rates:

Healthy: RP-2000 Combined Healthy Mortality Table, set back 2 years for males and set back 1 year for females.

Disabled: RP-2000 Combined Healthy Mortality Table, set forward 5 years for males and set forward 6 years for females.

Termination Rates Before Retirement:

Pre-Retirement Mortality: RP-2000 Combined Healthy Mortality Table, set back 2 years for males and set back 1 year for females.

	Rate (%)	
Age	**Disability**	**Termination***
25	0.01	5.50
30	0.03	5.35
35	0.05	4.35
40	0.09	3.15
45	0.15	2.30
50	0.19	1.85
55	0.20	1.75
60	0.20	1.75

** Rates for members with five or more years of service. Termination rates are zero for members eligible to retire.*

Rates of termination for members with less than 5 years of service are as follows:

Service	Rate (%) Termination (Based on Service)
0	11.25
1	8.00
2	7.25
3	6.25
4	5.50

Retirement Rates:

Age	Rate (%) Non-55/30	55/30
50	8	0
51	4	0
52	4	0
53	4	0
54	15	0
55	8	20
56	8	15
57	8	15
58	8	15
59	8	15
60	8	15
61	8	16
62	8	17
63	8	18
64	8	19
65	13	20
66	13	20
67	13	20
68	13	20
69	13	20
70	100	100

Retirement Age and Benefit for Inactive Vested Participants:	Pension benefit paid at the later of age 57 or the current attained age. For reciprocals, 4.65% compensation increases per annum.
Exclusion of Inactive Members:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married/Domestic Partner:	76% of male participants; 50% of female participants.
Age of Spouse:	Female spouses 3 years younger than their spouses.
Future Benefit Accruals:	1.0 year of service per year.
Other Reciprocal Service:	10% of future inactive vested members will work at a reciprocal system.
Consumer Price Index:	Increase of 3.50% per year; benefit increases due to CPI subject to 3.0% maximum.
Employee Contribution and Matching Account Crediting Rate:	Based on average of 5-year Treasury note rate. An assumption of 3.50% is used to approximate that crediting rate in this valuation.
Net Investment Return:	7.75%

Salary Increases:

Inflation: 3.50%; additional 0.75% “across the board” salary increases (other than inflation); plus the following promotional and merit increases:

For members with under 5 years of service:

Service	Percentage Increase
0	7.00%
1	6.25%
2	4.75%
3	3.50%
4	2.25%

For members with 5 or more years of service:

Age	Percentage Increase
20 – 24	2.25%
25 – 29	2.00%
30 – 34	1.25%
35 – 39	1.00%
40 – 44	0.75%
45 – 49	0.50%
50 – 54	0.40%
55 – 69	0.40%

Actuarial Value of Assets:

The market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.

Actuarial Cost Method:	Projected Unit Credit Cost Method.
Funding Policy:	The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability. Both the normal cost and the actuarial accrued liability are determined under the Projected Unit Credit cost method. All the bases on or before June 30, 2005, except those arising from the phase-in of contribution rates for the 2002 experience study, were combined and amortized over 30 years effective June 30, 2005. Under the current funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15 year periods. Any changes in the UAAL due to assumption or method changes are amortized over separate 30 year periods. Plan changes, including the 2009 ERIP, are amortized over separate 15 year periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service. In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27.

Changes in Actuarial Assumptions: Based on the June 30, 2011 Actuarial Experience Study, the following actuarial assumptions were changed. Previously, these assumptions were as follows:

Post – Retirement Mortality Rates:

Healthy: RP-2000 Combined Healthy Mortality Table, set back 1 year.

Disabled: RP-2000 Combined Healthy Mortality Table, set forward 7 years.

Termination Rates Before Retirement:

Pre-Retirement Mortality: RP-2000 Combined Healthy Mortality Table, set back 1 year.

	Rate (%)	
Age	**Disability**	**Termination***
25	0.01	4.75
30	0.03	4.75
35	0.07	4.00
40	0.15	2.84
45	0.22	2.01
50	0.26	1.60
55	0.24	1.35
60	0.22	1.25

** Rates for members with five or more years of service. Termination rates are zero for members eligible to retire.*

Rates of termination for members with less than 5 years of service are as follows:

	Rate (%)
Service	**Termination (Based on Service)**
0	9.75
1	8.00
2	6.25
3	5.50
4	4.75

Changes in Actuarial Assumptions (continued):

Retirement Rates:

	Rate (%)
Age	Non-55/30
50	10
51	5
52	5
53	5
54	15
55	10
56	10
57	10
58	10
59	10
60	10
61	10
62	10
63	10
64	10
65	15
66	15
67	15
68	15
69	15
70	100

Retirement Age and Benefit for Inactive Vested Participants: Pension benefit paid at the later of age 57 or the current attained age. For reciprocals, 4.75% compensation increases per annum.

Changes in Actuarial Assumptions (continued):

Age of Spouse: Female spouses 4 years younger than their spouses.

Consumer Price Index: Increase of 3.75% per year; benefit increases due to CPI subject to 3.0% maximum.

Employee Contribution and Matching Account Crediting Rate: Based on average of 5-year Treasury note rate. An assumption of 6.50% was used to approximate that crediting rate in the prior valuation.

Net Investment Return: 8.00%

Salary Increases: Inflation: 3.75%; additional 0.50% "across the board" salary increases (other than inflation); plus the following promotional and merit increases:

For members with under 5 years of service:

Service	Percentage Increase
0	8.00%
1	6.75%
2	4.75%
3	3.75%
4	2.50%

For members with 5 or more years of service:

Age	Percentage Increase
20 – 24	2.25%
25 – 29	2.00%
30 – 34	1.75%
35 – 39	1.50%
40 – 44	1.00%
45 – 49	0.75%
50 – 54	0.50%
55 – 69	0.50%

EXHIBIT VII
Summary of Plan Provisions

This exhibit summarizes the major provisions of LACERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year:	July 1 through June 30
Census Date:	June 30
Normal Retirement Benefit:	
Age & Service Requirement (§ 4.1020)	Age 70; Age 60 with 10 years of continuous service; or Age 55 with at least 30 years of service.
Amount (§ 4.1056.2)	2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation.
Early Retirement Benefit:	
Age & Service Requirement (§ 4.1020)	Age 55 with 10 years of continuous service; or Any age with 30 year of service.
Amount (§ 4.1056.2)	2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following sample Early Retirement benefit adjustment factors:

Age	Factor
45	0.6250
50	0.7750
55	0.9250
60	1.0000

Final Average Monthly Compensation: *(§ 4.1010)*	Equivalent of monthly average salary of highest continuous 12 months (one year).
Cost of Living Benefit: *(§ 4.1040)*	Based on changes to Los Angeles area consumer price index, to a maximum of 3% per year; excess banked.
Death after Retirement: *(§ 4.1044)*	(I) 50% of retiree's unmodifed allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement); (ii) $2,500 lump sum death benefit paid to a designated beneficiary; and (iii) Any unused contributions if the member has elected the cash refund annuity option.

Death before Retirement:

(§ 4.1062 and § 4.1054)

Option #1:

(i) Eligibility – None.

(ii) Benefit – Refund of employee contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:

Service Credit	Number of Monthly Payments
1 year	2
2 years	4
3 years	6
4 years	8
5 years	10
6+ years	12

Option #2:

(i) Eligibility – Duty-related death or after 5 years of service.

(ii) Benefit – Continuance of service or disability benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner.

Member Normal Contributions:
(§ 4.1031)

If an employee became a plan member on or after January 1, 1983, the member normal contribution rate is 6%.

If an employee became a plan member before January 1, 1983, the rate is based on age at entry; sample rates by entry age (before reflecting applicable pick ups by the employers or "defrayals"*) are as follows:

Entry Age	Normal Rate	Survivor Rate
20	8.20%	0.44%
30	9.06%	0.75%
40	10.19%	0.91%
50	11.34%	1.03%

Effective July 1, 2011 the member normal contribution rate became 7% for all employees. The 7% member rate shall be paid until June 30, 2026 or until the ERIP Cost Obligation (defined in ERIP Ordinance 180926) is fully paid, whichever comes first.

In addition, members in certain bargaining groups are required to pay an additional 4% member contribution rate, beginning July 1, 2011. All non-represented members and members of one particular bargaining group are required to pay an additional 2% member contribution rate retroactive to July 1, 2011. For these members, the additional member contribution rate will increase to 4% beginning January 1, 2013.

* *The net member rate after defrayals was adjusted to 6% upon the effective date of ERIP Ordinance 180926.*

Disability:
(§ 4.1055)

Service Requirement — 5 years of continuous service

Amount — 1/70 (1.43%) of the Final Average Monthly Compensation per year of service or 1/3 of the Final Average Monthly Compensation, if greater.

Deferred Withdrawal Retirement Benefit (Vested): *(§ 4.1020 and § 4.1059.1)*	
Age & Service Requirement	Age 70 with 5 years of continuous service; Age 60 with 5 years of continuous service and at least 10 years elapsed from first date of membership; or Age 55 with at least 30 years of service. Deferred employee who meets part-time eligibility: age 60 with at least 10 years from the first date of membership.
Amount	Normal retirement benefit
Age & Service Requirement	Age 55 with 5 years of continuous service and at least 10 years elapsed from first date of membership; or Age 55 with 10 years of continuous service. Deferred employee who meets part-time eligibility: age 55 with at least 10 years from the first date of membership.
Amount	Early retirement benefit
Withdrawal of Contributions Benefit (Ordinary Withdrawal):	
	Refund of employee contributions with interest.
Changes in Plan Provisions:	Beginning July 1, 2011, members in certain bargaining groups are required to pay an additional 4% member contribution rate. In addition, all non-represented members and members in one particular bargaining group are required to pay an additional 2% member contribution rate retroactive to July 1, 2011. For these members, the additional member contribution rate will increase to 4% beginning January 1, 2013.

Appendix One

Employer Contribution Rates with and without the Additional 4% Employee Contributions

(expressed as a percentage of pay)

June 30, 2010

Retirement Benefits	Without Additional 4% Employee Contributions: Beginning of Year	July 15	End of Pay Periods	With Additional 4% Employee Contributions: Beginning of Year	July 15	End of Pay Periods
1. Normal Cost	9.37%	9.40%	9.74%	5.73%	5.75%	5.95%
2. Amortization of UAAL	11.02%	11.06%	11.45%	11.02%	11.06%	11.45%
3. Total Retirement Contribution	20.39%	20.46%	21.19%	16.75%	16.81%	17.40%

	Composite Rates*: Beginning of Year	July 15	End of Pay Periods
Employee Contributions**	9.30%	9.33%	9.66%
Employer Contributions			
1. Normal Cost	6.95%	6.97%	7.22%
2. Amortization of UAAL	11.02%	11.06%	11.45%
3. Total Employer Contribution	17.97%	18.03%	18.67%

* *For informational purposes only.*

** *Payable at the end of pay periods, but discounted with interest to the dates indicated.*

Note: For the composite rates: (a) the projected payroll for members that will not pay the additional 4% employee contributions is $614,403,424, and (b) the projected payroll for members covered under the bargaining groups that will pay the additional 4% employee contributions is $1,218,988,957.

Appendix One (continued)

Employer Contribution Rates with and without the Additional 2% or 4% Employee Contributions

(expressed as a percentage of pay)

June 30, 2011*

	Without Additional 2% or 4% Employee Contributions			**With Additional 2% Employee Contributions Until 12/31/2012; Then 4% Thereafter**			**With Additional 4% Employee Contributions Only**		
Retirement Benefits	Beginning of Year	July 15	End of Pay Periods	Beginning of Year	July 15	End of Pay Periods	Beginning of Year	July 15	End of Pay Periods
1. Normal Cost	10.04%	10.07%	10.42%	7.31%	7.33%	7.59%	6.33%	6.35%	6.57%
2. Amortization of UAAL	13.37%	13.42%	13.89%	13.37%	13.42%	13.89%	13.37%	13.42%	13.89%
3. Total Retirement Contribution	23.41%	23.49%	24.31%	20.68%	20.75%	21.48%	19.70%	19.77%	20.46%

	Composite Rates		
	Beginning of Year	July 15	End of Pay Periods
Employee Contributions**	9.41%	9.44%	9.78%
Employer Contributions			
1. Normal Cost	7.47%	7.49%	7.75%
2. Amortization of UAAL	13.37%	13.42%	13.89%
3. Total Employer Contribution	20.84%	20.91%	21.64%

* *Before adjustments to phase in over five years the impact of new actuarial assumptions (as a result of the June 30, 2011 triennial Experience Study) on the City's contributions.*

** *Payable at the end of pay periods, but discounted with interest to the dates indicated.*

Note: For the composite rates: (a) the projected payroll for members that will not pay either the additional 2% or 4% employee contributions is $542,648,274, (b) the projected payroll for all non-represented members and members covered under one particular bargaining group that will pay the additional 2% employee contributions until December 31, 2012 and then 4% thereafter is $71,755,150, and (c) the projected payroll for members covered under the bargaining groups that will pay the additional 4% employee contributions only is $1,218,988,957.

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2011
In accordance with GASB Statements No. 43 and No. 45

THE SEGAL COMPANY
100 Montgomery Street, Suite 500, San Francisco, CA 94104
T 415.263.8200 F 415.263.8290 www.segalco.com

December 8, 2011

Board of Administration
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012

Dear Board members:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2011 under Governmental Accounting Standards Board Statements No. 43 and No. 45. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB obligation (NOO) as of June 30, 2011, establishes the Annual Required Contribution (ARC) for the coming year, and analyzes the preceding year's experience. This report was based on the census data provided by the Retirement System and the terms of the Plan as summarized in Exhbit III. The actuarial calculations were completed under the supervision of Thomas Bergman, MAAA, Enrolled Actuary and Patrick Twomey, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in this valution and described in Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Exhibits II and III.

Sincerely,

THE SEGAL COMPANY

By:

Paul Angelo, FSA, EA, MAAA, FCA
Senior Vice President and Actuary

Andy Yeung, ASA, EA, MAAA, FCA
Vice President and Associate Actuary

JRC/hy

SECTION 1

EXECUTIVE SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

VALUATION DETAILS

SECTION 4

SUPPORTING INFORMATION

PURPOSE

This report presents the results of our actuarial valuation of the City of Los Angeles Employees' Retirement System OPEB plan as of June 30, 2011. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes.

HIGHLIGHTS OF THE VALUATION

- The recommended contribution has decreased from \$130.8 million (7.20% of payroll) to \$79.6 million (4.34% of payroll), assuming contributions are made by the City on July 15. A reconciliation of the change in the recommended contribution rate is provided on page 18, Section 3.
- The health care premiums and subsidy levels were substantially lower than projected in the prior valuation, resulting in an experience gain. This is the main source of the experience gain that lowered the unfunded actuarial accrued liability by about \$298 million and reduced the recommended contribution by about 2.06% of payroll
- The funded ratio has increased from 63.82% to 78.57% in this valuation. The unfunded actuarial accrued liability (UAAL) has decreased from \$808.1 million to \$421.8 million. A reconciliation of the change in the UAAL is provided on page 6, Section 2.
- Since the prior valuation, the retiree health benefits program was changed to freeze the medical subsidy for non-retired members who did not begin to contribute an additional 2% or 4% of employee contributions to the Pension Plan. In this valuation, about 76% of non-retired members are contributing, and so are not subject to the freeze. The implementation of this plan change lowered the unfunded actuarial accrued liability by about \$187 million and reduced the recommended contribution by about 1.48% of payroll.
- LACERS has elected to comply with GASB 43 effective with the June 30, 2005 valuation. The City is required to include the GASB 45 results in its financial statements effective with fiscal year 2007/2008.
- The funding method used to develop the annual required contribution (ARC) is the Projected Unit Credit Method, a method that will produce an increasing normal cost as a percent of payroll for individual members.
- The discount rate for this valuation is 7.75%, and is based on the assumptions that the City is paying a contribution that equals the ARC and that 100% of benefits will be paid from the trust. The discount rate was lowered from 8.00% used in the prior valuation in conjunction with recommended assumption changes from the triennial experience study.
- On October 25, 2011, the Board elected to phase in the impact of new actuarial assumptions on the City's retirement and health plan contributions over a five-year period, beginning with the 2012-2013 fiscal year. The recommended (i.e., pre-phase-in) contribution rates for Fiscal Year 2012-2013 are contained in this report. In a separate letter, we provide the "phased-in" contribution rates for Fiscal Year 2012-2013 and an

analysis of the financial reporting and future contribution rate impact of the five-year phase-in.

- Based on directions from LACERS, we have not included the projected excise tax that may be imposed by the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act. Under these acts, health plans that provide a subsidy above certain thresholds beginning in 2018 may be subject to a 40% excise tax. If the excise tax were to be reflected in this valuation, the ARC would increase by $3.3 million, from 4.34% of payroll to 4.52% of payroll (payable on July 15).

- As indicated in Section 3, Exhibit E of this report, the total unrecognized investment loss as of June 30, 2011 is $587.0 million for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. For comparison purposes, the total unrecognized investment loss as of June 30, 2010 was $2,018.2 million. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 7.75% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 7.75% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.

- The deferred losses of $587.0 million represent 5.5% of the market value of assets as of June 30, 2011. Unless offset by future investment gains or other favorable experience, the recognition of the $587.0 million market losses is expected to have a significant impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

  - If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 78.57% to 74.48%.

  - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate (payable on July 15) would increase from 4.34% to 4.72% of payroll.

The key valuation results for the current and prior years are shown.

SUMMARY OF VALUATION RESULTS

	June 30, 2011	June 30, 2010
Actuarial Accrued Liability (AAL)	$1,968,707,666	$2,233,874,432
Actuarial Value of Assets	1,546,883,749	1,425,726,017
Unfunded Actuarial Accrued Liability	421,823,917	808,148,415
Funded Ratio	78.57%	63.82%
Market Value of Assets	$1,466,384,856	$1,164,606,591
Annual Required Contribution (ARC) for coming year*		
Normal cost (beginning of year)	$57,105,892	$75,282,221
Amortization of the unfunded actuarial accrued liability	22,247,320	55,134,978
Total Annual Required Contribution (beginning of year)	$79,353,212	$130,417,199
Total Annual Required Contribution (July 15)	$79,597,005	$130,830,333
Total Annual Required Contribution (end of each pay period)	$82,370,775	$135,500,318
Projected total payroll**	$1,833,392,381	$1,817,662,284
ARC as a percentage of pay		
Beginning of year	4.33%	7.17%
July 15	4.34%	7.20%
End of each pay period	4.49%	7.45%
Total Participants	44,470	45,423
Annual OPEB Cost (AOC) for Coming Year		
Annual Required Contributions (July 15)	$130,830,333	$107,395,804
Interest on Net OPEB Obligations	0	0
ARC Adjustments	0	0
Total Annual OPEB Cost	$130,830,333	$107,395,804
AOC as a percent of pay	7.20%	5.91%

* *June 30, 2011 contribution rates are before adjustments to phase-in over five years the City contribution rate impact due to new actuarial assumptions adopted as recommended in the June 30, 2011 triennial Experience Study.*

** *Reflects amount calculated in the pension valuation.*

December 8, 2011

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's other postemployment benefit programs as of June 30, 2011, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements No. 43 and No. 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant, premium, claims and expense data provided by the LACERS.

The actuarial computations made are for purposes of fulfilling plan accounting and funding requirements. Determinations for purposes other than meeting financial accounting and funding requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are Members of the Society of Actuaries, and/or the American Academy of Actuaries, as well as other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

Thomas Bergman, MAAA, EA	Patrick Twomey, ASA, MAAA, EA
Assistant Actuary	Assistant Actuary

The actuarial present value of total projected benefits uses the actuarial assumptions disclosed in Section 4 to calculate the value today of all benefits expected to be paid to current actives and retired plan members. The actuarial balance sheet shows the expected breakdown of how these benefits will be financed.

CHART 1

Actuarial Present Value of Total Projected Benefits (APB) and Actuarial Balance Sheet

	Actuarial Present Value of Total Projected Benefits (APB)	
	2011	**2010**
Participant Category		
Current retirees, beneficiaries, and dependents	$1,066,350,888	$1,124,253,854
Current active members	1,498,346,962	1,898,431,686
Terminated members entitled but not yet eligible	19,963,811	34,454,928
Total as of June 30	$2,584,661,661	$3,057,140,468

	2011	**2010**
Actuarial Balance Sheet		
The actuarial balance sheet as of the valuation date is as follows:		
Assets		
1. Actuarial value of assets	$1,546,883,749	$1,425,726,017
2. Present value of future normal costs	615,953,995	823,266,036
3. Unfunded actuarial accrued liability	421,823,917	808,148,415
4. Present value of current and future assets	$2,584,661,661	$3,057,140,468
Liabilities		
5. Actuarial Present Value of total Projected Benefits	$2,584,661,661	$3,057,140,468

The actuarial accrued liability shows that portion of the APB (Chart 1) allocated to periods prior to the valuation date by the actuarial cost method. The chart below shows the portion of the liability for active and inactive members, and reconciles the unfunded actuarial accrued liability from last year to this year.

CHART 2
Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

	June 30, 2011	June 30, 2010
Participant Category		
Current retirees, beneficiaries, and dependents	$1,066,350,888	$1,124,253,854
Current active members	882,392,967	1,075,165,650
Terminated members entitled but not yet eligible	19,963,811	34,454,928
Total actuarial accrued liability	$1,968,707,666	$2,233,874,432
Unfunded Actuarial Accrued Liability		
Total actuarial accrued liability	1,968,707,666	$2,233,874,432
Actuarial value of assets	1,546,883,749	1,425,726,017
Unfunded actuarial accrued liability	$421,823,917	$808,148,415

Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2011

1. Unfunded actuarial accrued liability at beginning of year	$808,148,415
2. Employer normal cost at beginning of year	75,282,221
3. Total employer contributions at July 15	-107,395,804
4. Interest	62,473,427
5. Expected unfunded actuarial accrued liability	$838,508,259
6. Change due to investment and demographic losses	$17,135,631
7. Change due to subsidy freeze	-186,909,821
8. Change due to assumption changes from triennial experience study	51,057,507
9. Change due to other assumption changes and starting costs less than expected[1]	-297,967,659
10. Unfunded actuarial accrued liability at end of year	$421,823,917

[1] *The primary reason for this change is premiums and medical subsidies lower than projected.*

The unfunded actuarial accrued liability may be amortized over periods of up to 30 years. Amortization payments may be calculated as level dollar amounts or as amounts designed to remain level as a percent of a growing payroll base. Los Angeles City Employees' Retirement System has elected to amortize unfunded actuarial accrued liability using the following rules: The unfunded actuarial accrued liability as of June 30, 2007 is amortized over a fixed period of 28 years beginning July 1, 2007. Assumption changes resulting from the triennial experience study are amortized over 30 years. Health trend and premium assumption changes, plan changes, and gains and losses are amortized over 15 years. The costs associated with the 2009 ERIP have been amortized over 15 years beginning with the June 30, 2009 valuation date.

CHART 3

Table of Amortization Bases

Type	Date Established	Initial Year	Initial Amount	Outstanding Balance	Annual Payment*	Years Remaining
Initial Unfunded Actuarial Accrued Liability	06/30/2007	28	$544,856,288	$584,802,341	34,708,409	24
Experience Loss	06/30/2008	15	2,484,406	2,364,497	234,756	12
Assumption Change	06/30/2008	30	27,599,895	29,417,055	1,619,572	27
Experience Loss	06/30/2009	15	113,097,781	110,038,741	10,240,936	13
Assumption Change	06/30/2009	30	-48,425,091	-50,586,003	-2,723,561	28
Implementation of ERIP	06/30/2009	15	54,735,645	53,255,168	4,956,279	13
Experience Loss	06/30/2010	15	15,609,129	15,435,220	1,354,446	14
Assumption Change	06/30/2010	15	69,299,592	68,527,493	6,013,313	14
Experience Loss	06/30/2011	15	42,389,377	42,389,377	3,524,872	15
Assumption Changes and Lower than Projected Starting Costs	06/30/2011	15	-297,967,661	-297,967,661	-24,777,381	15
Plan Change (Subsidy Freeze)	06/30/2011	15	-186,909,821	-186,909,821	-15,542,412	15
Assumption Change (From Experience Study)	06/30/2011	30	51,057,510	51,057,510	2,638,091	30
Total				$421,823,917	$22,247,320	

* Level percentage of pay

The Annual Required Contribution (ARC) is the amount calculated to determine the annual cost of the OPEB plan for accounting purposes on an accrual basis. The calculation consists of adding the Normal Cost of the plan to an amortization payment. Both are determined as of the start of the accounting period and adjusted as if the annual cost were to be contributed throughout the fiscal year or on July 15th.

The amortization payment is based on a 28-year amortization of the initial unfunded actuarial accrued liability as of June 30, 2007, 30-year amortization of assumption changes adopted as part of the triennial experience study, and 15-year amortization of gains and losses, and health trend and premium assumption changes on a level percent of payroll basis.

The change in unfunded actuarial accrued liability due to adoption of the Early Retirement Incentive Program (ERIP) was amortized over 15 years.

CHART 4

Determination of Annual Required Contribution (ARC)

		Determined as of June 30			
	Cost Element	**2011***		**2010**	
		Amount	**Percentage of Compensation**	**Amount**	**Percentage of Compensation**
1.	Normal cost	$57,105,892	3.11%	$75,282,221	4.14%
2.	Amortization of the unfunded actuarial accrued liability	22,247,320	1.22%	55,134,978	3.03%
3.	Total Annual Required Contribution (beginning of year)	$79,353,212	4.33%	$130,417,199	7.17%
4.	Projected Payroll*	$1,833,392,381		$1,817,662,284	
5.	Adjustment for timing (July 15)	243,793	0.01%	413,134	0.03%
6.	Total Annual Required Contribution (July 15)	$79,597,005	4.34%	$130,830,333	7.20%
7.	Adjustment for timing (end of pay period)	3,017,563	0.16%	5,083,119	0.28%
8.	Total Annual Required Contribution (end of pay period)	$82,370,775	4.49%	$135,500,380	7.45%

* *June 30, 2011 contribution rates are before adjustment to phase in over five years the City Contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 triennial Experience Study.*

*** Reflects amount calculated in the pension valuation.*

The Annual OPEB Cost (AOC) adjusts the ARC for any past differences between the ARC and contributions in relation to the ARC as tracked in the Net OPEB Obligation (NOO). The AOC is the cost of OPEB actually recognized as an expense for the Fiscal Year under GASB 45.

CHART 4 (continued)

Determination of Annual OPEB Cost (AOC)

	Determined as of June 30			
Cost Element	**2011***		**2010**	
	Amount	**Percentage of Compensation**	**Amount**	**Percentage of Compensation**
1. Annual Required Contribution (July 15)	$79,597,005	4.34%	$130,830,333	7.20%
2. Interest on Beginning of Year Net OPEB Obligation (NOO)	0	0.00%	0	0.00%
3. ARC adjustment	0	0.00%	0	0.00%
4. Annual OPEB Cost (July 15)	$79,597,005	4.34%	$130,830,333	7.20%

**June 30, 2011 contribution rates are before adjustment to phase in over five years the City Contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 triennial Experience Study.*

For GASB 43 (plan reporting) purposes, the schedule of employer contributions compares actual contributions to the ARC. For GASB 45 (employer reporting) purposes, the schedule of employer contributions compares actual contributions to the AOC.

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

GASB 43

Fiscal Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2006*	$76,116,104	$76,116,104	100.00%
2007	115,232,538	115,232,538	100.00%
2008	108,848,499	108,848,499	100.00%
2009	95,122,090	95,122,090	100.00%
2010	96,511,234	96,511,234	100.00%
2011	107,395,804	107,395,804	100.00%

* *ARC for plan year ended June 30, 2006 was determined in the June 30, 2004 valuation. It was not calculated using the parameters required for GASB 43 because the plan's funding policy excluded active employees with less than 10 years of service.*

Required Supplementary Information – Schedule of Employer Contributions

GASB 45

Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2006*	$76,116,104	$76,116,104	100.00%
2007	115,232,538	115,232,538	100.00%
2008	108,848,499	108,848,499	100.00%
2009	95,122,090	95,122,090	100.00%
2010	96,511,234	96,511,234	100.00%
2011	107,395,804	107,395,804	100.00%

* *ARC for plan year ended June 30, 2006 was determined in the June 30, 2004 valuation. It was not calculated using the parameters required for GASB 45 because the plan's funding policy excluded active employees with less than 10 years of service.*

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 6

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/2006	$990,269,715	$1,730,798,950	$740,529,235	57.21%	$1,733,339,536	42.72%
06/30/2007	1,185,543,893	1,730,400,181	544,856,288	68.51%	1,896,609,013	28.73%
06/30/2008	1,342,919,611	1,928,042,900	585,123,289	69.65%	1,977,644,640	29.59%
06/30/2009	1,342,496,524	2,058,176,825	715,680,301	65.23%	1,816,171,212	39.41%
06/30/2010	1,425,726,017	2,233,874,432	808,148,415	63.82%	1,817,662,284	44.46%
06/30/2011	1,546,883,749	1,968,707,666	421,823,917	78.57%	1,833,392,381	23.01%

* *Reflects amount calculated in the pension valuation.*

The Net OPEB obligation measures the accumulated differences between the annual OPEB cost and the actual contributions in relation to the ARC.

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Fiscal Year End	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of Fiscal Year (g)
06/30/2006*	$76,116,104	$0	$0	$76,116,104	$76,116,104	$0	$0
06/30/2007	115,232,538	0	0	115,232,538	115,232,538	0	0
06/30/2008	108,848,499	0	0	108,848,499	108,848,499	0	0
06/30/2009	95,122,090	0	0	95,122,090	95,122,090	0	0
06/30/2010	96,511,234	0	0	96,511,234	96,511,234	0	0
06/30/2011	107,395,804	0	0	107,395,804	107,395,804	0	0

* *ARC for plan year ended June 30, 2006 was determined in the June 30, 2004 valuation. It was not calculated using the parameters required for GASB 43 because the plan's funding policy excluded active employees with less than 10 years of service.*

This exhibit summarizes the participant data used for the current and prior valuations.

EXHIBIT A

Summary of Participant Data

	June 30, 2011	June 30, 2010
Retirees*		
Number of non-disabled	11,456	11,510
Number of disabled	298	288
Total number of retirees	11,754	11,798
Average age of retirees	70.8	70.4
Number of spouses	4,772	4,930
Average age of spouses	66.2	66.7
Surviving Spouses*		
Number	1,682	1,644
Average age	78.9	78.8
Active Participants		
Number	25,449	26,245
Average age	47.0	46.1
Average years of service	13.0	12.1
Inactive Vested Participants (excluding those with less than 10 years of service)		
Number	813	806
Average age	50.6	50.2

* *Excludes retirees not yet eligible for retiree health benefits.*

EXHIBIT B

Cash Flow Projections

The ARC generally exceeds the current pay-as-you-go ("paygo") cost of an OPEB plan. Over time the paygo cost will tend to grow and may even eventually exceed the ARC in a well-funded plan. The following table projects the paygo cost as the projected net fund payment over the next ten years.

Year Ending June 30	Projected Number of Retirees*			Projected Benefit Payments		
	Current	Future	Total	Current	Future	Total
2012	18,208	884	19,092	$90,880,553	$4,943,779	$95,824,332
2013	17,750	1,573	19,323	89,378,095	9,495,531	98,873,626
2014	17,246	2,334	19,580	91,068,269	15,208,425	106,276,694
2015	16,722	3,181	19,903	92,533,010	22,133,042	114,666,052
2016	16,157	4,104	20,261	93,218,908	30,277,914	123,496,822
2017	15,591	5,142	20,733	93,569,408	39,957,721	133,527,129
2018	15,003	6,232	21,235	93,327,032	50,664,943	143,991,975
2019	14,409	7,362	21,771	93,039,684	62,169,662	155,209,346
2020	13,813	8,523	22,336	91,988,438	74,721,259	166,709,697
2021	13,214	9,689	22,903	90,925,361	87,643,274	178,568,635

* *Includes spouses of retirees, but excludes those not receiving a subsidy from LACERS.*

EXHIBIT C

Summary Statement of Income and Expenses on an Actuarial Value Basis for Retirement, Health, Family Death and Larger Annuity Benefits

	Year Ended June 30, 2011		Year Ended June 30, 2010	
Contribution income:				
Employer contributions	$414,133,032		$362,751,146	
Employee contributions	114,731,434		126,961,295	
Net contribution income		$528,864,466		$489,712,441
Investment income:				
Interest, dividends and other income	$253,769,776		$231,005,078	
Recognition of capital appreciation	291,263,922		71,009,369	
Less investment and administrative fees	-42,084,368		-40,421,383	
Net investment income		$502,949,330		$261,593,064
Total income available for benefits		$1,031,813,796		$751,305,505
Less benefit payments:				
Payment of benefits	-$752,540,330		-$653,134,296	
Refunds of contributions	-18,215,248		-27,971,893	
Net benefit payments		-$770,755,578		-$681,106,189
Change in reserve for future benefits		$261,058,218		$70,199,316

Note: Results may be slightly off due to rounding.

EXHIBIT D

Summary Statement of Assets for Retirement, Health, Family Death, and Larger Annuity Benefits

	Year Ended June 30, 2011		Year Ended June 30, 2010	
Cash equivalents		$609,896,414		$372,183,032
Accounts receivable:				
Investment income	$34,381,558		$33,361,902	
Proceeds from sales	32,911,670		37,691,856	
Other	7,059,792		4,134,392	
Total accounts receivable		$74,353,020		$75,188,150
Investments:				
Fixed Income	$2,331,369,654		$2,275,248,628	
Equities	6,225,586,700		4,958,267,752	
Real Estate and Alternative Investment	1,659,534,331		1,411,152,837	
Other	1,377,311,588		1,095,808,401	
Total investments at market value		$11,593,802,273		$9,740,477,618
Total assets		$12,278,051,707		$10,187,848,800
Less accounts payable:				
Accounts payable and accrued expenses	-$132,446,670		-$29,685,696	
Derivative instrument	0		-24,900	
Purchases of investments	-222,421,912		-169,137,033	
Security lending collateral	-1,229,579,148		-987,636,645	
Total accounts payable		-$1,584,447,730		-$1,186,484,274
Net assets at market value		$10,693,603,976		$9,001,364,526
Net assets at actuarial value		$11,280,641,736		$11,019,583,518
Net assets at valuation value (retiree health benefits)		$1,546,883,749		$1,425,726,017

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Administration has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

EXHIBIT E

Determination of Actuarial Value of Assets for Year Ended June 30, 2011

	Original Amount	Percent Not Recognized	Amount Not Recognized	
1. Market value of assets				$10,693,603,976
2. Calculation of unrecognized return*				
(a) Year ended June 30, 2011	$1,208,621,516	85.71%	$1,035,961,299	
(b) Year ended June 30, 2010	392,956,483	71.43%	280,683,202	
(c) Year ended June 30, 2009	-2,964,832,484	53.33%	-1,581,243,991	
(d) Year ended June 30, 2008	-1,549,293,380	36.00%	-557,745,617	
(e) Year ended June 30, 2007	1,054,377,186	20.00%	210,875,437	
(f) Year ended June 30, 2006	366,478,652	6.67%	24,431,910	
(g) Total unrecognized return				-$587,037,760
3. Preliminary actuarial value: (1) - (2g)				$11,280,641,736
4. Adjustment to be within 40% corridor				0
5. Final actuarial value of assets: (3) + (4)				$11,280,641,736
6. Actuarial value as a percentage of market value: (5) ÷ (1)				105.49%
7. Market value of retiree health assets				$1,466,384,856
8. Valuation value of retiree health assets (5) ÷ (1) x (7)				$1,546,883,749
9. Deferred return recognized in each of the next 6 years:				
(a) Amount recognized on 6/30/2012				-$222,559,718
(b) Amount recognized on 6/30/2013				-246,991,628
(c) Amount recognized on 6/30/2014				-352,429,347
(d) Amount recognized on 6/30/2015				-166,514,141
(e) Amount recognized on 6/30/2016				228,796,857
(f) Amount recognized on 6/30/2017				172,660,217
(g) Subtotal (may not total exactly due to rounding)				-$587,037,760

**Total return minus expected return on a market value basis*

The chart below details the changes in the ARC from the prior valuation to the current year's valuation.

EXHIBIT F

Reconciliation of Recommended Contribution* from June 30, 2010 to June 30, 2011

Recommended Contribution as of June 30, 2010	7.45%
Effect of increase in amortization component due to less than expected payroll	0.10%
Effect of contributions less than recommended contribution	0.12%
Effect of investment loss	0.03%
Effect of subsidy freeze for non-retired members who are not contributing	-1.48%
Effect of other assumption changes and starting medical costs lower than expected	-2.06%
Effect of composition of active population	0.16%
Effect of demographic gains and losses	-0.02%
Effect of assumptions changes from experience study	0.19%
Recommended Contribution as of June 30, 2011**	4.49%

** Based on contributions at the end of each pay period.*

***Before adjustments to phase in over five years the impact of new actuarial assumptions as a result of the June 30, 2011 triennial Experience Study*

EXHIBIT I

Summary of Required Supplementary Information

Valuation date	June 30, 2011	
Actuarial cost method	Projected Unit Credit Cost Method – assuming a closed group	
Amortization method	Level percent of payroll – assuming a 4.25% increase in total covered payroll.	
Remaining amortization period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Assumption changes resulting from the triennial experience the study are amortized over 30 years. Health trend and premium assumption changes are amortized over 15 years. The initial unfunded liabilities on June 30, 2007 were combined and amortized over 28 years. Plan changes, including the liability change due to the ERIP is amortized over 15 years. Future ERIPs will be amortized over 5 years. Actuarial surplus is amortized over 30 years.	
Asset valuation method	Market value of assets less unrecognized returns. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. In addition, the actuarial value of assets is further adjusted, if necessary, to stay within 40% of the market value of assets.	
Actuarial assumptions:		
Investment rate of return	7.75%	
Inflation rate	3.50%	
Real across-the-board salary increase	0.75%	
Projected salary increases	N/A	
Medical cost trend rate	Actual increase for 2011-2012, 8.75% starting in the 2012-2013 fiscal year graded down by 0.50% per year over 8 years to an ultimate rate of 5.00%	
Dental cost trend rate	5.00%	
Medicare Part B premium	4.33% from 2011-2012 to 2012-2013, 5.00% for all following years.	
Plan membership:	June 30, 2011	June 30, 2010
Current retirees, beneficiaries, and dependents receiving benefits	18,208	18,372
Current active participants	25,449	26,245
Terminated participants entitled but not yet eligible	813	806
Total	44,470	45,423

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Data: Detailed census data and financial data for postemployment benefits were provided by LACERS.

Unknown Data for Members: Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Actuarial Cost Method: Projected unit credit.

Termination Rates before Retirement: Pre-Retirement Mortality: RP-2000 Combined Healthy Mortality table, set back two years for males, one year for females.

Age	Disability	Termination*
25	0.01%	5.50%
30	0.03	5.35
35	0.05	4.35
40	0.09	3.15
45	0.15	2.30
50	0.19	1.85
55	0.20	1.75
60	0.20	1.75

All deaths are assumed to be non-duty related.

No termination is assumed after a member is eligible for retirement.

* Termination rates for actives with less than 5 years of service are as follows:

Service	Rate
0	11.25%
1	8.00
2	7.25
3	6.25
4	5.50

Measurement Date: June 30, 2011

Discount Rate: 7.75%, net of investment and administrative expenses

Postretirement Mortality Rates:

Healthy — RP-2000 Combined Healthy Mortality table, set back two years for males and set back one year for females.

Disabled — RP-2000 Combined Healthy Mortality Table, set forward five years for males and set forward six years for females.

These tables reasonably reflect the projected mortality experience of the Plan as of the measurement date. The RP-2000 Health Combined Table (separate tables for males and females) with ages set back and the tables used for Disabled Retirement were determined to contain sufficient provision appropriate to reasobly reflect future mortality improvement, based on a review of mortality experience as of the measurement date.

Active Retirement Rates:

	Retirement Probability	
Age	**Non-55/30**	**55/30**
50	8%	0%
51	4	0
52	4	0
53	4	0
54	15	0
55	8	20
56	8	15
57	8	15
58	8	15
59	8	15
60	8	15
61	8	16
62	8	17
63	8	18
64	8	19
65	13	20
66	13	20
67	13	20
68	13	20
69	13	20
70	100	100

Retirement Age and Benefit for Inactive Vested Participants: Assume pension benefit will be paid at the later of age 57 or the current attained age.

Exclusion of Inactive Vested: Inactive vested with less than 10 years of service are excluded.

Per Capita Cost Development: The assumed costs on a composite basis are the future costs of providing postretirement health care benefits at each age. To determine the assumed costs on a composite basis, historical premiums are reviewed and adjusted for increases in the cost of health care services.

Maximum Dental Subsidy (same as premium)

Carrier	Participation Percent	Monthly 2011-2012 Fiscal Year Subsidy
Met Life PPO	77.1	$40.15
SafeGuard	22.9	$12.96

Per Capita Cost Development:

2011-2012 Fiscal Year		Participant Under Age 65 or Not Eligible for Medicare A & B								
		Single Party			Married/With Domestic Partner			Eligible Survivor		
CARRIER	Election Percent	Monthly Premium*	Maximum Subsidy**	**Subsidy**	Monthly Premium*	Maximum Subsidy**	**Subsidy**	Monthly Premium*	Maximum Subsidy**	**Subsidy**
Kaiser	**59.9**	$594.61	$1,190.00	**$594.61**	$1,188.23	$1,190.00	**$1,188.23**	$594.61	$594.61	**$594.61**
Blue Cross PPO	**22.1**	$990.90	$1,190.00	**$990.90**	$1,976.42	$1,190.00	**$1,190.00**	$990.90	$594.61	**$594.61**
Blue Cross HMO	**18.0**	$716.61	$1,190.00	**$716.61**	$1,427.84	$1,190.00	**$1,190.00**	$716.61	$594.61	**$594.61**

2011-2012 Fiscal Year		Participant Eligible for Medicare A & B								
		Single Party			Married/With Domestic Partner			Eligible Survivor		
CARRIER	Election Percent	Monthly Premium*	Maximum Subsidy**	**Subsidy**	Monthly Premium*	Maximum Subsidy**	**Subsidy**	Monthly Premium*	Maximum Subsidy**	**Subsidy**
Kaiser	**58.1**	$207.00	$207.00	**$207.00**	$413.01	$413.01	**$413.01**	$207.00	$207.00	**$207.00**
Blue Cross PPO	**29.5**	$451.93	$451.93	**$451.93**	$886.73	$651.04	**$651.04**	$451.93	$451.93	**$451.93**
UHC Medicare Adv HMO	**12.4**	$230.83	$230.83	**$230.83**	$457.28	$457.28	**$457.28**	$230.83	$230.83	**$230.83**

** With the exception of Kaiser, the amounts reflect the inclusion of the Vision Service Plan premium.*

***Non-retired members who are not contributing have their medical subsidies frozen at the 2011 calendar year level.*

Marital Status: 60% of male and 30% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.

Spouse Age Difference: Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.

Surviving Spouse Coverage: With regard to members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.

Participation: Retiree Medical and Dental Coverage Election:

Service Range	Percent Covered*
10 – 14	65%
15 – 19	80%
20 – 24	90%
25 and Over	95%

* *Inactive members are assumed to elect coverages at 50% of the rates shown above.*

100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.

Health Care Cost Subsidy Trend Rates:

Trends to be applied in following fiscal years, to all health plans.

Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium

First Fiscal Year (July 1, 2011 through June 30, 2012)

PLAN	Blue Cross PPO, Under Age 65	Blue Cross PPO, Age 65 and Over	Kaiser HMO, Under Age 65	Senior Advantage	Blue Cross HMO, Under 65	UHC Secure Horizons
Trend to be applied to 2011-2012 Fiscal Year premium	3.98%	-3.11%	4.33%	5.38%	6.81%	8.01%

The fiscal year trend rates are based on the following calendar year trend rates:

Fiscal Year	Trend (Approx)	Calendar Year	Trend (applied to calculate following year premium)
2012-2013	8.75%	2012	9.00%
2013-2014	8.25%	2013	8.50%
2014-2015	7.75%	2014	8.00%
2015-2016	7.25%	2015	7.50%
2016-2017	6.75%	2016	7.00%
2017-2018	6.25%	2017	6.50%
2018-2019	5.75%	2018	6.00%
2019-2020	5.25%	2019	5.50%
2020 and later	5.00%	2020 and later	5.00%

Dental Premium Trend	5.00% for all years
Medicare Part B Premium Trend	4.33% from 2011-2012 to 2012-2013, 5.00% for all following years.

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Administrative Expenses:	No administrative expenses were valued separately from the claim costs.

Assumption Changes Since Prior Valuation:	Health care cost trend rates have been updated. Starting premium costs were revised to reflect updated data. Medical and dental carrier election assumptions were updated. Some of the demographic assumptions have been updated as a result of the experience study as of June 30, 2011.
Changes in Assumptions as a Result of the Triennial Experience Study:	Based on the June 30, 2011 review of economic assumptions and the actuarial experience study, the following actuarial assumptions were changed. Previously, these assumptions were as follows:

Post-Retirement Mortality Rates:

Healthy Annuitants:	RP-2000 Combined Healthy Mortality Table, set back 1 year.
Disabled Annuitants:	RP-2000 Combined Healthy Mortality Table, set forward 7 years.

Change in Assumptions (continued):

Termination Rates Before Retirement:

Pre-Retirement Mortality: RP-2000 Combined Healthy Mortality table, set back one year.

Age	Previous Disability Rate (%)	Previous Termination* Rate (%)
25	0.01	4.75
30	0.03	4.75
35	0.07	4.00
40	0.15	2.84
45	0.22	2.01
50	0.26	1.60
55	0.24	1.35
60	0.22	1.25

**Termination rates are zero for members eligible to retire.*

Previous Turnover	
Years of Service	**Rate (%)**
0	9.75
1	8.00
2	6.25
3	5.50
4	4.75

Change in Assumptions (continued):

Retirement Rates:

	Rate (%)	
Age	**Non-55/30**	**55/30**
50	10	0
51	5	0
52	5	0
53	5	0
54	15	0
55	10	20
56	10	15
57	10	15
58	10	15
59	10	15
60	10	15
61	10	16
62	10	17
63	10	18
64	10	19
65	15	20
66	15	20
67	15	20
68	15	20
69	15	20
70	100	100

Change in Assumptions (continued)

Salary Increases:

Previous Annual Rate of Compensation Increase

Inflation: 3.75% per year;
plus 0.50% real across-the-board salary increase;
plus the following Merit and Promotion increases based on completed years of service.

For members with under 5 years of service,

Service	Percentage Increase
0	8.00%
1	6.75%
2	4.75%
3	3.75%
4	2.50%

For members with 5 years of service or more,

Age	Percentage Increase
20 – 24	2.25%
25 – 29	2.00%
30 – 34	1.75%
35 – 39	1.50%
40 – 44	1.00%
45 – 49	0.75%
50 – 54	0.50%
55 – 69	0.50%

Discount rate: Decreased from 8.00% to 7.75%

EXHIBIT III

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:

Retirees
§4.1103.2

Retired age 55 or older with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996, and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive. Please note that the health subsidy is not payable to a disabled retiree before the member reaches age 55.

Health Subsidy for Members:

Under Age 65 or Over Age 65 And Only Enrolled in Medicare Part B:
§4.1103.2

The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2011, the maximum health subsidy was $1,190 per month, and will remain at $1,190 on January 1, 2012.

Over Age 65 and Enrolled in Both Medicare Parts A and B:
§4.1103.2

For retirees, a maximum health subsidy limited to the single-party monthly premium of the plan in which the member is enrolled, is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

An additional amount is added for coverage of dependents which shall not exceed the amount provided a retiree not enrolled in Parts A and B and covered by the same medical plan and with the same years of service.

The combined member and dependent subsidy shall not exceed the actual premium.

Dental Subsidy for Members:
§4.1105.2

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2011, the maximum dental subsidy was $36.16 per month and will increase to $44.14 on January 1, 2012.

There is no subsidy available to spouses or domestic partners. There is also no reimbursement for dental plans not sponsored by the System.

Medicare Part B Subsidy for Members:
§4.1104

If a City Retiree is covered by both Medicare Parts A and B, and enrolled in a LACERS medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Part B Medicare premium.

Surviving Spouse Subsidy:
§4.1107 & §4.1107.1

The surviving spouse or domestic partner will be entitled to a health subsidy (limited to the actual single-party premium) based on member's years of service and the surviving dependent's eligibility for Medicare.

Under Age 65 or Over Age 65 And Only Enrolled in Medicare Part B:

The maximum health subsidy available for survivors is the Kaiser single-party premium ($595.60 per month as of July 1, 2011, increasing to $593.62 on January 1, 2012) or the single-party premium of the plan in which the survivor is enrolled, whichever is less.

Over Age 65 and Enrolled in Both Medicare Parts A and B:

For survivors, a maximum health subsidy limited to the single-party monthly premium of the plan in which the survivor is enrolled, is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

Subsidy Freeze

Since the prior valuation, the retiree health benefits program was changed to freeze the medical subsidy for non-retired members who did not begin to contribute an additional 2% or 4% of employee contributions to the Pension Plan.

The frozen subsidy is different for Medicare and non-Medicare retirees.

The freeze applies to the medical subsidy limits at the 2011 calendar year level.

The freeze does not apply to the dental subsidy or the Medicare Part B premium reimbursement.

EXHIBIT IV

Definitions of Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age;

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Actuarial Present Value of Total Projected Benefits (APB): Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

Normal Cost: The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Retirees: The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

Actuarial Value of Assets (AVA):	The value of assets used by the actuary in the valution. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio:	The ratio AVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.
Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan’s unfunded actuarial accrued liability.
Investment Return (discount rate):	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.
Covered Payroll:	Annual reported salaries for all active participants on the valuation date.
ARC as a Percentage of Covered Payroll:	The ratio of the annual required contribution to covered payroll.
Health Care Cost Trend Rates:	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Annual Required Contribution (ARC):	The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

Net OPEB Obligation (NOO): The NOO is the cumulative difference between the ARC and actual contributions made. If the plan is not pre-funded, the actual contribution would be equal to the annual benefit payments less retiree contributions (if any). There are additional adjustments in the NOO calculations to adjust for timing differences between cash and accrual accounting, and to prevent double counting of OPEB plan costs.

EXHIBIT V

Accounting Requirements

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Under these statements, all state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements. The accounting standards supplement cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. The benefits valued in this report are limited to those described in Exhibit III of Section 4, which are based on those provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits is not limited by legal or contractual limits on funding the plan unless those limits clearly translate into benefit limits on the substantive plan being valued.

The new standards introduce an accrual-basis accounting requirement, thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. These assumptions are summarized in Exhibit II of Section 4. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the Net OPEB Obligation (NOO). In addition, Required Supplementary Information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan. Exhibits IV and VI of Section

4 contain a definition of terms as well as more information about GASB 43/45 concepts.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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SEGAL

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December 7, 2011

Board of Retirement
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012-4207

Re: Los Angeles City Employees' Retirement System
FDBIP Costs as of June 30, 2011

Dear Board Members:

We have developed our recommended contribution rates for the voluntary Family Death Benefit Insurance Plan ("Plan") as of June 30, 2011. These rates are effective for the two plan years beginning July 1, 2012 and ending June 30, 2014. The last review of the Plan was conducted as part of the June 30, 2009 actuarial valuation. That study yielded the current employee monthly contribution rate of $3.70. The City matches the employees' cost at the same level.

RECOMMENDATIONS

Based on the census data and the actuarial assumptions used for the June 30, 2011 actuarial valuation, our observations and recommendations are as follows:

- The current employee monthly rate is $3.70 through the end of the current plan year (June 30, 2012). Based on this rate, the estimated total annual contributions would be about $338,000 ($169,000 each for the members and the City) for plan year 2011/2012.
- It is our understanding that, effective July 1, 2009, the earnings credited to the Family Death Benefits Reserve changed from the crediting of earnings based only on dividends and other income not related to market value appreciation to include realized and unrealized gains (or losses). This change in procedure brings the crediting of the Family Death Benefits in line with the retirement plan reserves, with the exception of the Reserve for Member Contributions. Since the future payment liability for this program has

been discounted at the valuation assumed earnings rate of 7.75% per year effective with this valuation, we believe the new crediting procedure is consistent with the valuation discount rate assumption.

- We recommend that the current employee monthly rate of $3.70 be maintained for the two plan years beginning July 1, 2012 and ending June 30, 2014.
- The plan does not currently have a funding policy on how the monthly premium rate should be adjusted to reflect any funding surplus. We recommend that the Board consider developing a surplus policy for this Plan.

ANALYSIS AND ASSUMPTIONS

It is our understanding that the Plan is funded on a term cost basis and the premium charged for the current year is only supposed to be sufficient to pay for the present value of the projected death benefits for those expected to die in the same period. However, there is an adjustment in the monthly premium based on the Plan's funded status to reflect the relative value of the actual plan reserve compared to the actual present value of death benefits in pay status for those who previously died. As of June 30, 2011, the Plan's term cost is $437,251 for the 3,808 active members participating at June 30, 2011. This translates to an employee and City monthly rate of $4.78 each. However, the Plan is in a surplus position as of June 30, 2011, with the Plan's actuarial value of assets of $15,085,615* exceeding the liability reserve of $9,542,709 by $5,542,906.

We anticipate that the surplus reserve of $5,542,906 will be sufficient to maintain the current monthly premium rates of $3.70 for the employee and the City for the two plan years beginning July 1, 2012. As surplus is depleted at the rate of about $99,000 per year, there would still be a positive residual surplus remaining from the June 30, 2011 surplus balance of $5,542,906, at June 30, 2014.

* *If the Plan's June 30, 2011 market value of assets of $14,300,569 were to be used in the above analysis, the Plan would have a surplus of $4,757,860 instead of $5,542,906.*

As noted, all of the calculations are based on the June 30, 2011 actuarial valuation participant data and actuarial assumptions shown in the retirement plan valuation report. In addition, this plan requires further assumptions as shown below:

1) Each participating active member is assumed to have two children with an average age of about 13.

2) The children are assumed to be eligible for a monthly benefit of about $938 each until they reach age 18.

3) A surviving spouse is assumed to be eligible for a monthly benefit of about $312 until the children reach age 16.

4) As previously discussed with LACERS, survivors may not receive benefits from the FDBIP if they receive a service retirement survivorship benefit from the pension plan. Therefore, those currently eligible to retire under the pension plan do not have an FDBIP liability in our valuation.

The above costs were certified by Andy Yeung, ASA, Enrolled Actuary.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Associate Actuary

DNA/gxk

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December 8, 2011

Mr. Tom Moutes
General Manager
Los Angeles City Employees' Retirement System
360 East Second Street, Eighth Floor
Los Angeles, CA 90012-4207

Re: The Los Angeles City Employees' Retirement System
FY 2012-2013 Retirement and Health Plan Contributions
with Adjustments to Reflect Five-Year Phase-in of City Contribution Rates

Dear Tom:

On October 25, 2011, the Board elected to phase in the impact of new actuarial assumptions (adopted as recommended in the June 30, 2011 triennial Experience Study) on the City's retirement and health plan contributions over a five-year period, beginning with the 2012-2013 fiscal year. The recommended (i.e., pre-phase-in) contribution rates for Fiscal Year 2012-2013 are contained in Segal's June 30, 2011 reports entitled *Actuarial Valuation and Review of Retirement Benefits* and *Actuarial Valuation and Review of Other Postemployment Benefits (OPEB)*. This letter provides the "phased-in" contribution rates for Fiscal Year 2012-2013 and an analysis of the financial reporting and future contribution rate impact of the five-year phase-in.

PHASE-IN CONTRIBUTION RATES FOR 2012-2013

Table A below shows the full impact of the newly adopted actuarial assumptions on the City's retirement and health plan contributions for fiscal year 2012-2013, assuming payment at the beginning of the year, on July 15, 2012, or at the end of each pay period. This is the portion of the increase over the current contribution rates that will be phased-in over five years.

Table A

Plan:	Impact of the New Actuarial Assumptions (percentage of payroll):		
	Beginning of Year	July 15	End of Pay Periods
Retirement	1.20%	1.21%	1.23%
Health	0.18%	0.18%	0.19%
Total	1.38%	1.39%	1.42%

The incremental increases in the current City contribution rates for the first year of the phase-in are simply one-fifth of the rates shown in Table A. These first-year phase-in rates are shown below in Table B:

Table B

Plan:	**First-Year Phase-In of the Impact of the New Actuarial Assumptions (percentage of payroll):**		
	Beginning of Year	July 15	End of Pay Periods
Retirement	0.24%	0.24%	0.25%
Health	0.04%	0.04%	0.04%
Total	0.28%	0.28%	0.29%

Note that the rate impact for the second through fifth years of the phase-in will be slightly higher than simply adding another one-fifth of the full increases to the contribution rates for the preceding year, since interest will accrue on the portion of the total contribution rate increase that will not made because of the phase-in. The actual incremental increase in the City contribution rate due to the phase-in for years two through five will be reflected in the new contribution rates determined at the time of each such future valuations. However, we have provided an estimate of these incremental increases in our letter to you dated October 19, 2011. It should be noted that the information in our October 19 letter was based on the results of the June 30, 2010 valuation, but the final impact of the new actuarial assumptions based on the June 30, 2011 valuation results was relatively close to the results shown in the October 19 letter[1].

The phased-in City contribution rates for 2012-2013 are provided in a table attached to this letter (Attachment 2). For your convenience, we have also attached a table with the City contribution rates for 2012-2013 before the phase-in (Attachment 1).

The rates in Attachment 2 (after the phase-in) are developed by taking the rates in Attachment 1 (before the phase-in) minus the rates in Table A (the full impact of the new actuarial assumptions) plus the rates in Table B (the first-year phase-in). This is the same as excluding four-fifths (or 80%) of the full impact of the new actuarial assumptions from the current 2011 valuation (i.e., 80% of the Table A amounts). This deferred amount is shown below in Table C. In practice, each subsequent valuation will include another one-fifth (20%) of the Table A amounts by deferring 20% less than in the preceding valuation (i.e., deferring 60% in 2012, 40% in 2013, 20% in 2014 and 0% in 2015 and later).

[1] The total contribution rate impact, if contributions are made on July 15th , from the triennial Experience Study was estimated at 1.52% of payroll using the results from the June 30, 2010 valuation while the actual rate impact is 1.39% of payroll using results from the June 30, 2011 valuation.

Table C (i.e., rates from Table A – rates from Table B)

Plan:	**Deferred Portion of the Impact of the New Actuarial Assumptions (percentage of payroll):**		
	Beginning of Year	July 15	End of Pay Periods
Retirement	0.96%	0.97%	0.98%
Health	0.14%	0.14%	0.15%
Total	1.10%	1.11%	1.13%

IMPACT OF FIVE-YEAR PHASE-IN ON FINANCIAL REPORTING

The health plan contribution rates recommended in Segal's June 30, 2011 actuarial valuation report satisfy the parameters required for determining the Annual Required Contribution (ARC) under Governmental Accounting Standards 43 and 45 for the 2012-2013 fiscal year, including the requirement that the Equivalent Single Amortization Period (ESAP) for the System's Unfunded Actuarial Accrued Liability be amortized over an equivalent single period of no longer than 30 years. Those requirements are met before any phase-in, and reflect the full contribution rate impact of the new actuarial assumptions.

Because the ESAP is longer than 30 years after the phase-in, contributing the phase-in rates for 2012-2013 will result in the City recording a liability (Net OPEB Obligation or "NOO") equal to the shortfall of the actual contribution relative to an ARC based on 30-year amortization. We estimate that the NOO accrued during 2012-13 (the first year of the phase-in) will be approximately $2.4 million, or about 0.13% of payroll as of June 30, 2013.

As shown in Table B above, each year for the next four years another 0.04% of payroll, plus interest for delaying the full impact of the new assumptions, will be added to the City's health subsidy contribution rate. Therefore, an additional NOO may accrue for a few more years after 2012-2013, until the contribution rates after the phase-in are above the minimum required under the 30-year ESAP in those future valuations.

For the retirement plan, the City's contribution rates after the application of the phase-in for 2012-2013 will be greater than the minimum ARC as determined under GASB Statements 25 and 27, therefore no additional Net Pension Obligation ("NPO") will need to be recorded as of June 30, 2013.

If you have any questions, please let us know.

Sincerely,

Paul Angelo

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

Andy Yeung

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Associate Actuary

DNA/bqb

Enclosures

Fiscal Year 2012-2013 Retirement and Health Plan Contributions Before Reflecting 5-Year Phase-In of the Impact of the New Actuarial Assumptions

(expressed as a percentage of payroll)

June 30, 2011

	Without Additional 2% or 4% Employee Contributions			**With Additional 2% Employee Contributions Until 12/31/2012; Then 4% Thereafter**			**With Additional 4% Employee Contributions Only**		
	Beginning of Year	July 15	End of Pay Periods	Beginning of Year	July 15	End of Pay Periods	Beginning of Year	July 15	End of Pay Periods
Retirement Benefits									
1. Normal Cost	10.04%	10.07%	10.42%	7.31%	7.33%	7.59%	6.33%	6.35%	6.57%
2. Amortization of UAAL	13.37%	13.42%	13.89%	13.37%	13.42%	13.89%	13.37%	13.42%	13.89%
3. Total Retirement Contribution	23.41%	23.49%	24.31%	20.68%	20.75%	21.48%	19.70%	19.77%	20.46%
Health Subsidy Contribution									
1. Normal Cost	3.11%	3.12%	3.23%	3.11%	3.12%	3.23%	3.11%	3.12%	3.23%
2. Amortization of UAAL	1.22%	1.22%	1.26%	1.22%	1.22%	1.26%	1.22%	1.22%	1.26%
3. Total Health Subsidy Contribution	4.33%	4.34%	4.49%	4.33%	4.34%	4.49%	4.33%	4.34%	4.49%
Total Contribution	27.74%	27.83%	28.80%	25.01%	25.09%	25.97%	24.03%	24.11%	24.95%

	Composite Rates		
	Beginning of Year	July 15	End of Pay Periods
Retirement Benefits			
1. Normal Cost	7.47%	7.49%	7.75%
2. Amortization of UAAL	13.37%	13.42%	13.89%
3. Total Retirement Contribution	20.84%	20.91%	21.64%
Health Subsidy Contribution			
1. Normal Cost	3.11%	3.12%	3.23%
2. Amortization of UAAL	1.22%	1.22%	1.26%
3. Total Health Subsidy Contribution	4.33%	4.34%	4.49%
Total Contribution	25.17%	25.25%	26.13%

Note: For the composite rates: (a) the projected payroll for members that will not pay either the additional 2% or 4% employee contributions is $542,648,274, (b) the projected payroll for all non-represented members and members covered under one particular bargaining group that will pay the additional 2% employee contributions until December 31, 2012 and then 4% thereafter is $71,755,150, and (c) the projected payroll for members covered under the bargaining groups that will pay the additional 4% employee contributions only is $1,218,988,957.

Fiscal Year 2012-2013 Retirement and Health Plan Contributions After Reflecting 5-Year Phase-In of the Impact of the New Actuarial Assumptions

(expressed as a percentage of payroll)

June 30, 2011

	Without Additional 2% or 4% Employee Contributions			**With Additional 2% Employee Contributions Until 12/31/2012; Then 4% Thereafter**			**With Additional 4% Employee Contributions Only**		
	Beginning of Year	July 15	End of Pay Periods	Beginning of Year	July 15	End of Pay Periods	Beginning of Year	July 15	End of Pay Periods
Retirement Benefits									
1. Normal Cost	10.04%	10.07%	10.42%	7.31%	7.33%	7.59%	6.33%	6.35%	6.57%
2. Amortization of UAAL	12.41%	12.45%	12.91%	12.41%	12.45%	12.91%	12.41%	12.45%	12.91%
3. Total Retirement Contribution	22.45%	22.52%	23.33%	19.72%	19.78%	20.50%	18.74%	18.80%	19.48%
Health Subsidy Contribution									
1. Normal Cost	3.11%	3.12%	3.23%	3.11%	3.12%	3.23%	3.11%	3.12%	3.23%
2. Amortization of UAAL	1.08%	1.08%	1.11%	1.08%	1.08%	1.11%	1.08%	1.08%	1.11%
3. Total Health Subsidy Contribution	4.19%	4.20%	4.34%	4.19%	4.20%	4.34%	4.19%	4.20%	4.34%
Total Contribution	26.64%	26.72%	27.67%	23.91%	23.98%	24.84%	22.93%	23.00%	23.82%

	Composite Rates		
	Beginning of Year	July 15	End of Pay Periods
Retirement Benefits			
1. Normal Cost	7.47%	7.49%	7.75%
2. Amortization of UAAL	12.41%	12.45%	12.91%
3. Total Retirement Contribution	19.88%	19.94%	20.66%
Health Subsidy Contribution			
1. Normal Cost	3.11%	3.12%	3.23%
2. Amortization of UAAL	1.08%	1.08%	1.11%
3. Total Health Subsidy Contribution	4.19%	4.20%	4.34%
Total Contribution	24.07%	24.14%	25.00%

Note: For the composite rates: (a) the projected payroll for members that will not pay either the additional 2% or 4% employee contributions is $542,648,274, (b) the projected payroll for all non-represented members and members covered under one particular bargaining group that will pay the additional 2% employee contributions until December 31, 2012 and then 4% thereafter is $71,755,150, and (c) the projected payroll for members covered under the bargaining groups that will pay the additional 4% employee contributions only is $1,218,988,957.